

Nation's Business

USEFUL LOOK AHEAD

MAY 1962

J. Edgar Hoover:

Why Reds make friends with businessmen

PAGE 78

Business outlook shows sound strength PAGE 32

Qualities of victory: **Curiosity** PAGE 56

Old people will shape U. S. future PAGE 29

New federal wage push boosts costs PAGE 38



Econoline Van has big 4-foot doors rear and curb-side; cargo floor is flat full-length; no rear engine hump. Up to 80 cubic feet more loadspace than conventional ½-ton panels, yet is 3 feet shorter overall!

Priced from \$114 to \$394* less than any popular conventional panel!

And Ford's full-time economy only starts with low price...cuts operating costs \$100 yearly

Your investment is \$114 to \$394* less when you buy a Ford Econoline Van instead of a conventional ½-ton panel truck! And Ford's lower operating costs give your smaller capital outlay a continuing high return!

You'll pay less for gas with up to 30% better mileage than older ½-ton panels. Pay less for oil—go 4,000 miles instead of 2,000 between changes. Pay less for maintenance with lower parts prices and less service time; pay less for tires—even for licensing!

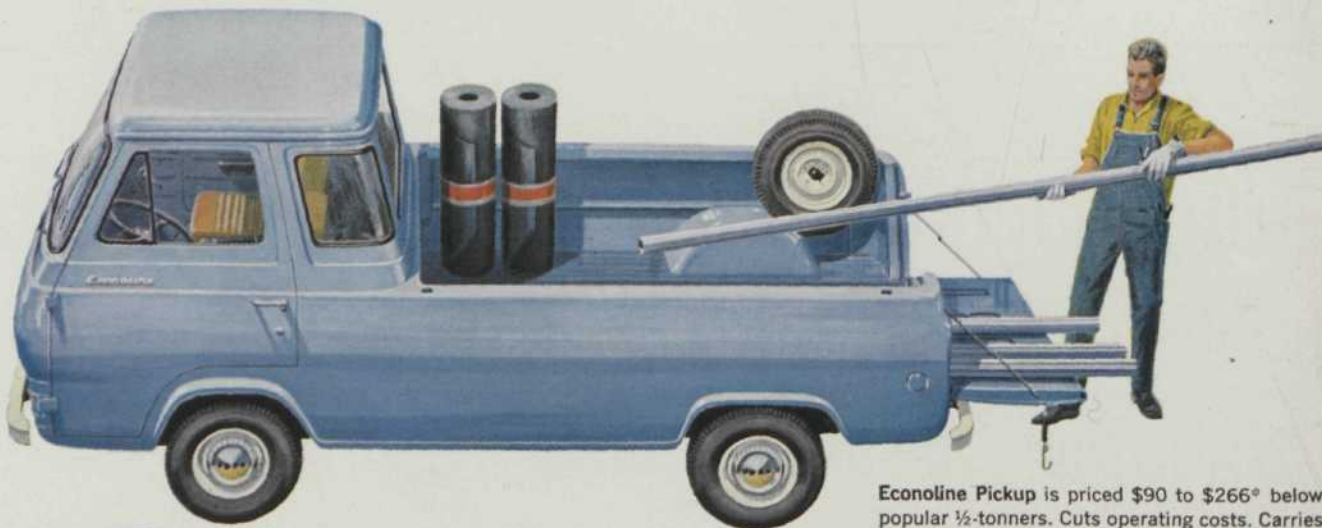
All told, your savings in a single 16,000-mile year could easily top \$100! The Ford dealer in your area will be happy to offer you additional information without obligation. Call him today and see how an Econoline Van can save you money . . . full time!

*Based on a comparison of latest available manufacturers' suggested retail prices

**FORD TRUCKS
COST LESS**

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TRUCK
CERTIFIED
ECONOMY
REPORTS



Econoline Pickup is priced \$90 to \$266* below popular ½-tonners. Cuts operating costs. Carries longer and heavier loads than most ½-tonners.

PRODUCTS OF  MOTOR COMPANY

**DO YOU HAVE THIS MAN'S
BUSINESS PROBLEM?**



*"How can our salesmen
have more time to
develop new business?"*

**Answer: handle reorders by Long Distance—
and gain more time for calling on prospects!**

The average salesman has a full-time job just calling on his regular accounts for reorders. So he has little or no time to prospect for new business.

Much reordering is routine and can be handled by Long Distance. By telephoning customers between visits, the salesman can stay on top of their needs without sacrificing service—and still have time to follow up new-business leads. Result: more contacts, more sales, more profit.

Many business problems are really communications problems. And they can be solved by effective use of Bell System services such as Long Distance . . . Private Line Telephone . . . Teletypewriter . . . Data Transmission . . . Wide Area Telephone Service. Talk with one of our Communications Consultants about them. Just call your Bell Telephone Business Office.

BELL TELEPHONE SYSTEM



Solve business problems with communications

Nation's Business

May 1962 Vol. 50 No. 5

Published by the Chamber of Commerce of the United States
Washington, D.C.

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Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D. C. Subscription price \$19.75 for three years. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. Copyright, 1962, by Nation's Business—the Chamber of Commerce of the United States. Nation's Business is available by subscription only.

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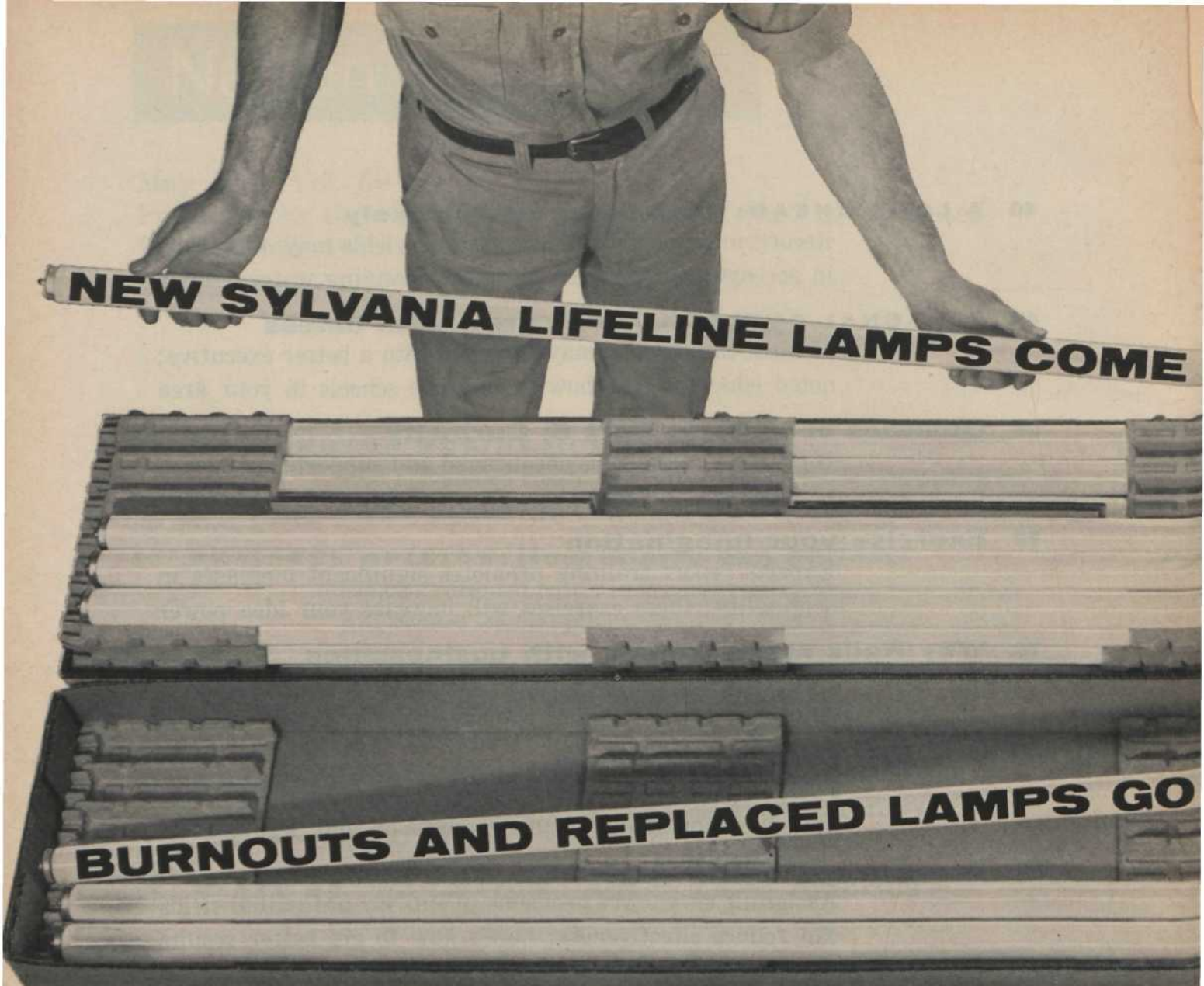
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Now there's an 8-foot (Could group relamping

Above you see another great moneysaving idea from Sylvania. An 8-foot Caddy-Pack that lets you move 24 new Lifeline lamps into the lighting area safely, conveniently—and lets you take out 24 replaced lamps in the same container!

This is the 8-foot version of Caddy-Pack, the greatest efficiency unit ever designed for group relamping. The 4-foot unit you see in the sketch at the side has already been introduced and has revolutionized fluorescent relamping. 4-footer contains 60 lamps. Same principle. Only difference is 8-footer lies flat, 4-footer stands up. And now in both you get sensational new Sylvania 9000-

hour Lifeline fluorescents—each with an exclusive etch on glass for recording date of installation.

These are just two more examples of how Sylvania keeps working to solve your own lighting problems realistically. To bring you the lowest possible TCL—Total Cost of Lighting. With moneysaving methods. Brighter, longer-lasting lamps. And an exclusive Sylvania money-back guarantee that states: "If at any time a Sylvania Fluorescent Lamp fails in your opinion to provide better performance than any other brand fluorescent lamps, on the basis of uniformity of performance, uniformity of appearance, maintained brightness and life, it may be

OUT OF THIS SIDE OF CADDY-PACK

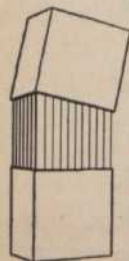
OUT IN THIS SIDE FOR SAFE DISPOSAL

Sylvania Caddy-Pack!

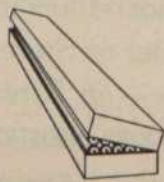
(be easier than this?)

returned to the supplier for full refund of purchase price." Now, make your group relamping faster, safer, more economical. See your Sylvania representative for Caddy-

Packs. Or write: Lighting Division, Sylvania Electric Products Inc., Dept 110, 60 Boston St., Salem, Mass. In Canada: Sylvania Electric (Canada) Ltd., Montreal.



4-FOOT CADDY-PACK



8-FOOT CADDY-PACK

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truck tires for recaps . . .

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TRANSPORT-100's
are still marking up records!

"INCREASES MILEAGE 50% . . . AND MORE. GREATER STOP-AND-GO TRACTION POWER!" That's the verdict of independent fleet operators who drove—and kept tabs on the Firestone Transport-100. Millions of grueling miles throughout the country proved these two good reasons for its cost-saving durability: (1) The Transport-100's broad-center rib all but eliminates squirming and scuffing to greatly increase mileage over any previous Firestone regular-skid highway tire. (2) The bladed design with over 1,000 deep traction slots and deep wide grooves give extra traction on wet, slick pavement and in snow. And you get increased mileage and traction at no increase in price! Order Transport-100's in nylon or Tyrex[®] rayon cord, tubeless or tubed, at your Firestone Dealer or Store. *Always Specify **Firestone** —Your Symbol of Quality and Service—on Tires for New Trucks and Trailers*

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WASHINGTON BUSINESS OUTLOOK

Can you guess how many factory workers are being paid \$100 a week or more?

Answer: Nearly half.

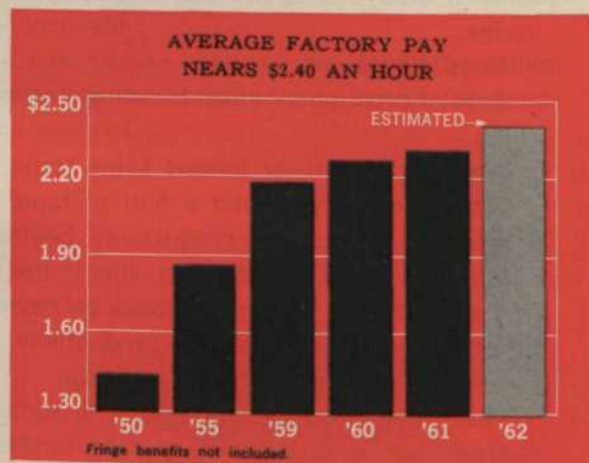
Here's a check list of workers' current average weekly earnings in nine industries:

Petroleum and related products	\$123.93
Primary metals	\$123.41
Transportation equipment	\$119.39
Ordnance and accessories	\$115.90
Machinery	\$112.56
Chemicals, allied products	\$108.73
Printing and publishing	\$107.14
Fabricated metal products	\$103.22
Paper and allied products	\$100.67

These nine industries are currently employing 5.7 million production workers.

Factory paychecks are averaging \$6 a week higher than a year ago.

Average is up almost \$1 a week since the beginning of this year.



This includes all 12.2 million production workers in manufacturing.

Government survey of pay shows this trend: Average now is \$95.91 a week.

Forecast: Average is headed toward \$100 a week for all factory hands before the year is out.

This means the list at left will soon have to be made longer.

Congressional foot-dragging could hand the communists another important space victory.

Launching of first privately owned U. S. satellite is scheduled this month from Cape Canaveral.

It's AT&T's Telstar, which will be the first active experimental communications satellite.

Others could follow quickly. Workable system could be operating by '65—if government gives go-ahead.

Here's progress so far:

Senate Space Committee has approved (with Administration agreement) a bill that would set up a space communications corporation. It would be owned half by private companies, half by the public.

House Space Committee also has approved the proposal.

But proponents of government ownership of the system are attempting to block final congressional approval.

If Congress doesn't act this year it is doubtful that U. S. activity could continue at full speed—despite AT&T's big effort to push ahead.

In a year the Soviets could put up several communications satellites, thus establishing an international system of their own. Many other nations might not want to tie in with a competing U. S. system coming along later.

Communications satellites then could be talking Russian—rather than English.

Set your business sights on a \$600 billion economy.

That's the prospect for total output of goods and services to be produced in U. S. next year.

Probable volume this year: About \$564 bil-

lion. Output last year amounted to \$521 billion.

Analysis of trends for remaining months this year appears on page 32.

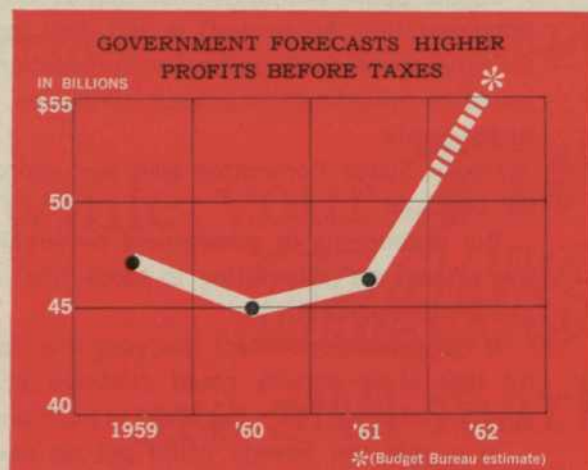
What's ahead for profits?

Will they keep climbing—or is a tapering off just around the corner?

These are questions economists and businessmen are wrestling with now.

Government officially forecasts a total profit of \$56.5 billion for the year (with federal taxes taking \$26.6 billion).

But some government economists think that is too high. In this view they join most business economists and executives who have not anticipated such a high rise.



Since the beginning of last year profits have zoomed more than 25 per cent.

To reach the level forecast by government would require nearly a 50 per cent rise.

That means profits still have a long way to go before government's forecast is realized.

One trend that worries many businessmen is the fact that not all companies are following the over-all national pattern.

Some firms will make no profit at all this

year. Chances are that two out of five won't.

That's about average across the board.

Another business worry stems from the need to boost volume—just to stay even.

U. S. industry will sell in the next 12 months about the same dollar volume of goods and services that it took 24 months to sell only a dozen years ago.

But profits after taxes are unlikely to be much higher.

Most likely profit trend:

More improvement is coming. But don't expect as much rise as you've seen in the past year.

Look for more talk in the next few months about how rapidly U. S. worker productivity is advancing.

It's argument used to promote idea that union members deserve pay raises.

Here's the shape of trends:

Output per man-hour is being stepped up.

Nothing unusual, dramatic, or different about this. It always happens this way in business cycles.

Goes like this:

Rate of production, after declining, begins to climb.

Worker productivity follows same trend.

After about a year and a half of rapid advance, the increase in productivity begins to slip off slightly. One reason for this is the fact that less efficient workers get back on payrolls, dragging down the average productivity improvement of better workers.

That's beginning to happen now in some industries, will soon begin happening in others. Rate of national production has been rising for about 15 months.

So strike an average. The productivity increase you're getting now is no higher and no lower than long-term average.

Zip in worker productivity from here on—in

WASHINGTON BUSINESS OUTLOOK

the current business cycle—will depend more heavily on improved methods of production and cost-reduction machinery.

Prediction:

Business expenditure for new plant and equipment—aimed at cutting costs—will rise during remaining months this year. Could reach a record spending rate by year-end.

Taxes, savings, consumption—new peaks in sight for '62.

Consumers will earn more, spend more, save more, pay higher taxes than ever before.

These prospects show up in new economic projections being studied in Washington.

Trends shape up this way:

Income—Pay for most Americans going up, total personal income rising an estimated \$31 billion during the year.

But personal taxes will take a big share of total pay boost, rising in the neighborhood of \$6 billion, maybe more.

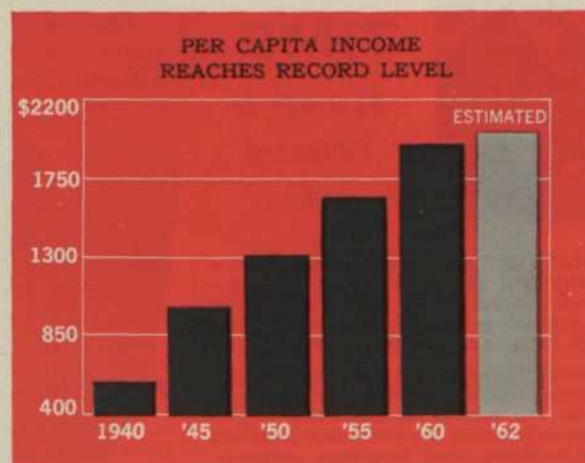
Savings—Also rising. Americans are expected to put aside at least \$1 billion more than they did last year.

Consumption—There'll be almost \$1 billion a day left for consumers to spend for goods and services.

Standard of living outpaces population rise.

Chances appear good that per capita income will average at least \$2,050 for every man, woman, child in the country this year.

That's almost double since 1944.



According to a United Nations report on economic conditions throughout the world, 91 countries have a per capita income of \$300 a year or less.

U. S. has gone up that much since 1956.

How do we compare with Russia?

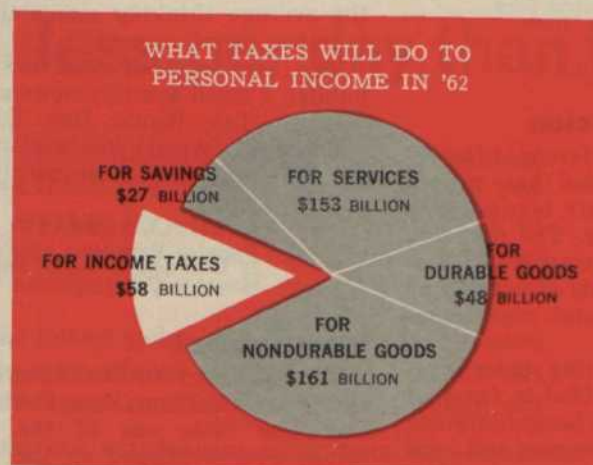
Soviet per capita income is estimated at \$550. That's approximately equal to our increase in only 10 years.

Some tax milestones will be coming up this year.

Adding all collections together since 1953: The 400 billionth income tax dollar will be collected by Uncle Sam from this year's personal pay.

The 100 billionth excise tax dollar will go to government.

The 230 billionth corporate earnings tax dollar also will go to U. S. Treasury.



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Sales, Credit, Real Estate,
Traffic, Insurance, Government
and the Armed Services

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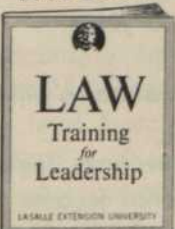
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Business opinion:

How liberty and American way of life can be lost

MAY WE give you a vote of confidence and thanks for your policy of informing and alerting the people of the United States to the concentration of power of our federal government accompanied by socialistic spending programs.

These government practices, together with the threat of communist subversion and external communism, could cause the people of the United States to lose their liberty and their traditional way of life.

Your series on the "Qualities of Victory" has been particularly inspiring.

RICHARD C. OLDHAM
President
Lawyers Title of Kentucky, Inc.
Louisville, Ky.

Attractive qualities

We would appreciate permission to reprint the "Qualities of Victory" series that started in the November 1961 issue of NATION'S BUSINESS. We would like to print the series one part at a time to be used in our Management Training Program at Thiokol Chemical Corporation, Wasatch Division.

In addition, we request permission to reprint "It Takes Two to Reach the Top" [November, 1961].

H. C. ANDERSON, Head
Training and Development Office
Thiokol Chemical Corp.
Brigham City, Utah

►Permission granted.

Collective coercion

Government interference in labor-management disputes has proven unrealistic and unfair, because government is pro-labor. The majority of pro-labor congressmen is evidenced by the records of yes and no votes of senators and representatives.

Collective bargaining under present laws is so one-sided in favor of labor that collective bargaining has become collective coercion and local businesses and the general public are practically helpless.

There is no reason why the government should have to settle labor-management disputes, always giving

labor more than it is entitled to.

In the public interest, laws should be passed that make illegal threats of strikes, or strikes, or slowdowns against such essential businesses as defense contract work, transportation, health, foods, fuels, communications activities, steels, autos and any licensed engineers, plumbers, electricians, or others, who can paralyze such work.

The federal and state governments should pass wisely and fairly drawn laws to stop featherbedding, strikes for more and more wages and other benefits that cause inflation.

GUYON L. C. EARLE
New York, N. Y.

UAW pleased

Victor Reuther and I are quite pleased with "Unions' Foreign Policy: Raise Overseas Wages" [April]. It is really a quite elegant summary of the activities.

We would like to have 1,000 reprints.

LEWIS CARLINER
Assistant to the Director
United Automobile Workers
Washington, D. C.

Thinking man's thinking

The articles in your magazine are consistently more in line with the average thinking man's thinking than any I've read.

The personnel of this hospital publish a small monthly newspaper. "Health Tax Would Buy Disappointment" [April] has a place in our thinking and consequently in our newspaper.

BARNELL SURRATT
Business Manager
E. H. Crump Memorial Hospital
Memphis, Tenn.

Vital subject

We felt that your December article, "Survival Plans Your Company Can Use" was one of the best things ever published on the vital subject of industrial survival.

R. A. IBOLD
Advertising & Sales Promotion
Supervisor
The Bendix Corp.
Cincinnati, Ohio



Extra! New nylon truck tire costs less per day than your newspaper!

It's the Hi-Miler Ranch & Commercial—a Goodyear 3-T *Nylon* truck tire priced as low as \$15.95. For even an average service life, that figures out to only pennies per day—about half of what you pay for your newspaper!

This is the lowest-priced Goodyear 3-T Nylon cord truck tire ever offered—a real value! And it's one of the strongest reasons we know for your *not*

driving around on old, worn-out tires.

Why run the risk of flats or blowouts, of costly delays, of personal discomfort or safety?

Let your Goodyear Dealer or Goodyear Service Store swap those "smoothies" for the new Hi-Miler Ranch & Commercial—the 3-T *Nylon* truck tire that costs less than your newspaper! Goodyear, Akron 16, Ohio.

ANOTHER REASON WHY: MORE TONS ARE HAULED ON GOODYEAR TRUCK TIRES THAN ON ANY OTHER KIND

GOOD YEAR

Hi-Miler—T.M. The Goodyear Tire & Rubber Company, Akron, Ohio

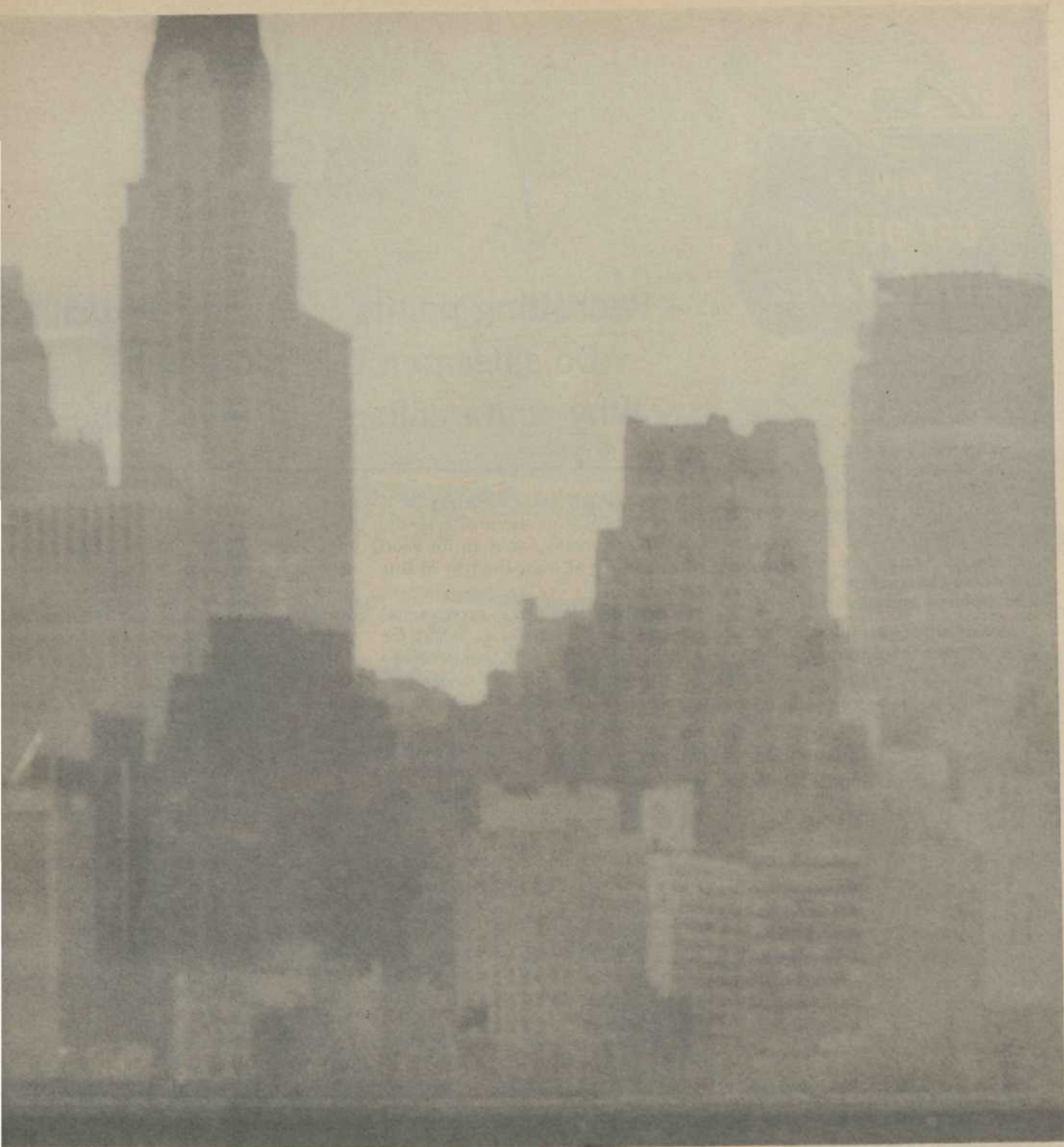


**Dial the world, talk in writing
via Western Union's new Telex**

Quicker than you can dial home, Western Union's Telex puts you in touch with major cities in the United States and the world. It's the system that modernized teleprinter communications in the U.S.

Unlike any other teleprinter system today, there are no manual switchboard delays. The Telex dial speeds your call through directly and automatically. And it's more economical, too. No minimum time requirements with Telex—you're charged only for actual time on the line.

A Telex call is simple to make. You dial. Instantly, you're connected, and the Telex unit you called automatically identifies itself. Then you send your message, either by direct keyboard typing or by using pre-punched tape.



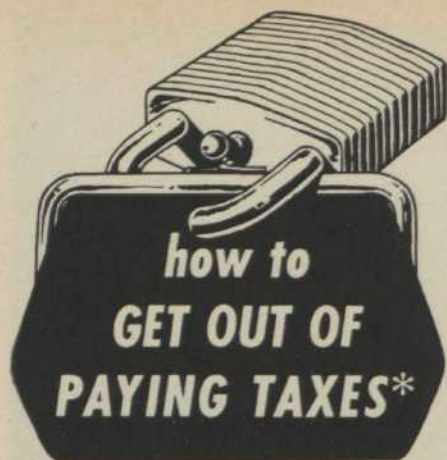
Incoming calls are recorded automatically 24 hours a day, 7 days a week. Even when your office is closed.

The speed, versatility, and economy of Telex are unmatched. That's why the network is constantly expanding. From the original 4 U.S. cities, the number will jump to more than 125 cities by the end of this year.

Telex is typical of how Western Union is moving ahead, not only in speeding the printed word, but in all forms of electronic communications, including voice, record, data, and facsimile. Interested in knowing how Telex—or other new Western Union services—can improve your company's communications and cut costs? Wire us collect: Western Union, 60 Hudson St., New York, N. Y.

**WESTERN
UNION**

CREATIVE COMMUNICATIONS



**Twice, for the same thing boils down to accepting the clear cut, indisputable facts in the first place. And the facts are about your city's sanitation facilities.*

As America's population continues to grow, lifetime pipelines are more important than ever before.

But pressing need and initial cost are no excuse for installing substitutes that before long have to be replaced and repaired.

After all, replacing and repairing sewers takes money. Your money.

And it comes out of your tax pocket.

Lifetime Vitrified Clay Pipe is the only pipe that meets every test in modern sanitation. It is impervious to the acids and chemicals that corrode and destroy other materials. Long experience, plus on the job and laboratory tests prove that Vitrified Clay Pipe—and the new cost-cutting factory-made joints—withstand acids and gases that eat up cheap substitutes.

Vitrified Clay Pipe is a one time—lifetime—investment that protects you, your family and your community.

Public Health demands the Protection of Modern Sanitation

provided by

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Clay Pipe
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1028 Connecticut Avenue, Washington 6, D. C.

Barrington, Illinois Columbus, Ohio
San Francisco, Calif. Atlanta, Ga.
Research Center: Crystal Lake, Illinois

Executive Trends

- Recruiting points to steady upturn
- Do salesmen talk too much?
- Why white collars get union label

If recruiting for executives is a valid indicator of the health of the nation's economy, we're in for good business for at least the rest of this year.

Executive recruiters—professional searchers for managerial talent for business and industry—report steeply rising demands for executive manpower in numerous industries.

One recruiter, J. Francis Canny (of Hoff, Canny, Bowen & Associates, Inc., New York) says the boom in demand for executives began shortly after the first of the year. "We're bursting at the seams with requests now," Mr. Canny says, "and the outlook is extremely bright for at least the remainder of 1962."

Job openings are especially numerous in finance, marketing, manufacturing and the general technical areas, according to recruiters contacted by *NATION'S BUSINESS*. The business upswing is credited for the rising demand.

It may pay to check into how much talking your salesmen are doing.

Overtalkative salesmen are costing American business millions of dollars a year in lost sales, according to Dr. Kenneth B. Haas, a sales-training authority and professor of marketing at Hofstra College.

"Too many salesmen get so wrapped up in their sales talk that they can't hear what the prospect is saying—or don't give him a chance to talk at all," he observes. He points out that this is psychologi-

cally deflating to a potential customer.

Salesmen can maneuver themselves into what Dr. Haas describes as "the position of control" if they learn to listen more, watch for important changes in a prospect's expression and subtly guide a prospect's thinking and emotions by the use of indirect questions.

He urges the salesman: "Draw out a prospect's own interests and feelings of importance by asking him to comment on the item you're selling, or on a subject in which he is knowledgeable, to try out your product or to tell you why he thinks it will or won't benefit him."

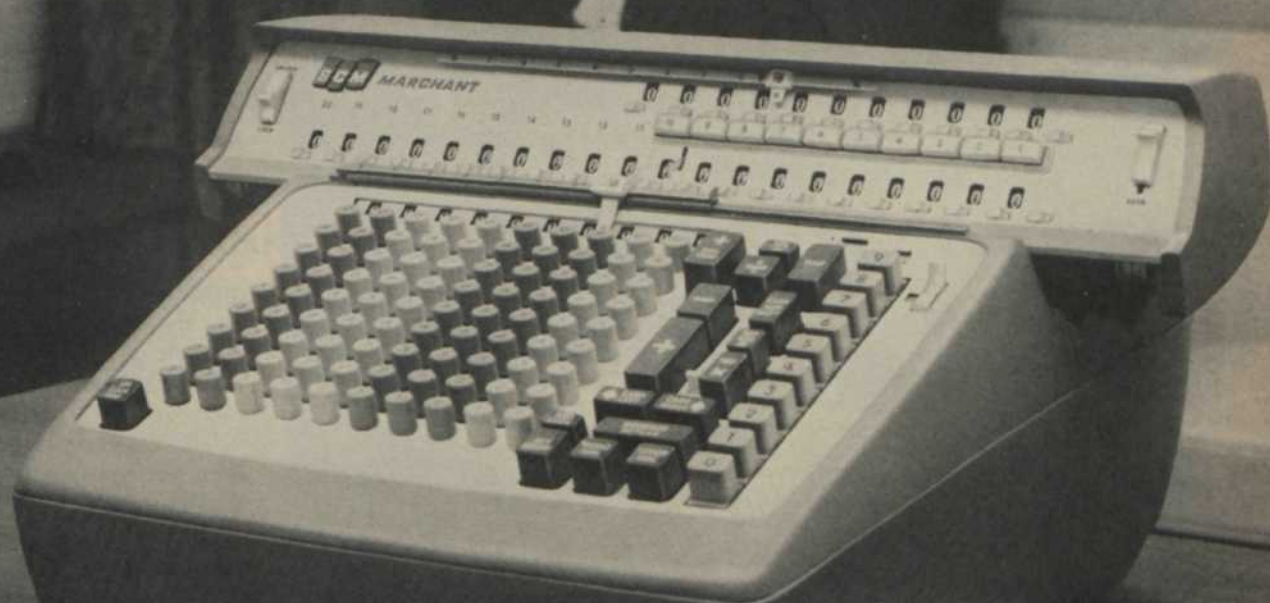
"Getting such verbalization from a prospect often serves as a catharsis," Dr. Haas says. "It can turn a man from a position of defensiveness to a position where he is inclined to buy."

He believes too many sales training programs fail to stress the psychological aspects of selling, and that too many sales talks fail to specify the benefits to the potential buyer of the product being offered.

If you serve on a board of directors—thousands of Americans do—there's a good chance the pay you draw for such service will rise in the year or so ahead.

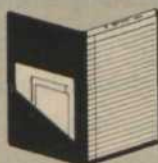
This is indicated by a survey conducted by the National Industrial Conference Board among more than 900 companies.

The survey disclosed a trend toward more pay for directors, tighter control of board membership, more



Who says the best looking calculator is the most accurate? (We do, and we can prove it)

This is the new Figuremaster CMF by Smith-Corona Marchant — the most exciting rotary calculator since SCM introduced the first one in 1910! For the first time, it brings decorator styling and colors to calculators. What's more, it sets new standards for accuracy. There are three dials of proof instead of two. Errors are further reduced because only one key can be depressed at a time, and because there are two sets of decimals. In addition, the Figuremaster is the world's fastest desk calculator. Other SCM calculators include the Model TR, with automatic multiple-step multiplication . . . the Model SK, which offers automatic squaring with completely automatic decimal. In return for your looking at the new Figuremaster, we have an Executive Portfolio for you. Mail the coupon or call your local Marchant Calculator Office today!



FREE! Executive Desk Portfolio. Keeps all your work in order. Fits in attaché case. Handy at home, the office or on the road. Yours free — for looking at the new SCM Figuremaster. Mail coupon today.

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Gentlemen: Please show me the new Figuremaster CMF by Smith-Corona Marchant and rush me my Executive Desk Portfolio absolutely free.

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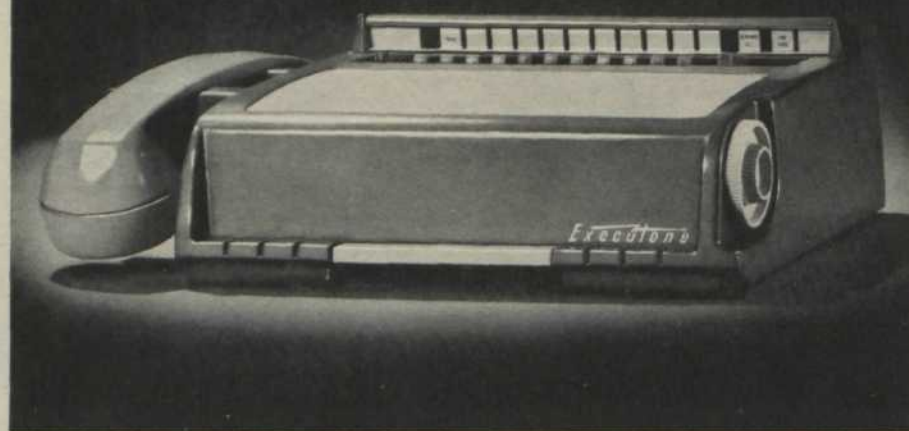
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EXECUTIVE TRENDS

continued

requirements that directors be actively employed in a business or profession, and a move toward medium-sized (seven to 15 member) boards.

John R. Kinley of the NICB's Division of Business Practices says the study showed a growing recognition that meeting fees do not adequately compensate an active director for his work. As a result, he adds, retainers are coming into greater use and the size of such retainers is rising. The median annual retainer paid by manufacturers is \$2,500.

The American Society of Corporate Secretaries, Inc., cosponsored the study.

• • •

Will white-collar workers in the future turn to unionism in greater numbers than they have in the past?

Managers of 85 business firms in 29 Michigan cities were asked this question in a recent poll conducted by the University of Michigan's Bureau of Industrial Relations.

Here's how the replies shaped up:

Thirty-seven did not believe that white-collar unions would gain strength.

Thirty believed these unions would grow.

Eleven did not reply.

Seven had no opinion.

Clark Caskey, program director of the University's Bureau of Industrial Relations, says all indications point toward an intensive drive by unions to organize white-collar workers. Since 1956, according to Mr. Caskey, there has been an increase of about three million in white-collar employment, and a decrease of about one million in blue-collar jobs.

What encourages white-collar unionization? Executives responding to the University of Michigan survey cited, among other reasons: defects attributable to poor supervisory practices, inadequate salary administration, failure to recognize advancement at the appropriate time, and arbitrary handling of layoffs.

• • •

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World Headquarters: Philadelphia



EXECUTIVE TRENDS

continued

for reading whatever magazine he might find on his desk or office coffee table.

The reading break serves two useful purposes, according to the executive:

First, it helps him to relax.

Second, by an enforced interruption in his routine he manages to catch up on reading he might otherwise miss.

• • •

Have you ever considered what contribution individual executives in your firm make in producing your year-end profit?

In coming months more companies are likely to take this kind of hard look.

The trend is identified by Milton L. Rock, managing partner of Edward N. Hay & Associates, of Philadelphia, management consultants specializing in compensation and organization.

Mr. Rock notes a growing concern among company presidents with the fact that the incentive in their managerial incentive plans has been lost in the shuffle, and what is left "is no more than a means of annually divvying up the pot."

The problem, he says, is that, unlike salesmen's incentive plans—where performance is relatively easy to measure—few businesses have the means of determining which of their managers contributed what to the end result; which of them actually were in a position to make the decisions that caused the profit, and how well they exercised that freedom to act.

Now more firms are refusing to commit themselves to paying a bonus year after year; and when they do pay one, they're exercising more discretion in deciding who will get what share, if any, of profit.

"In other words," Mr. Rock concludes, "more companies are putting incentive back into incentive compensation. Companies doing this generally are determining in advance, by formula, what impact each man's job has in creating that end result of profit, and then measuring his performance at that particular job."



J. Ross Fischer of the Wentworth Arms Motor Hotel

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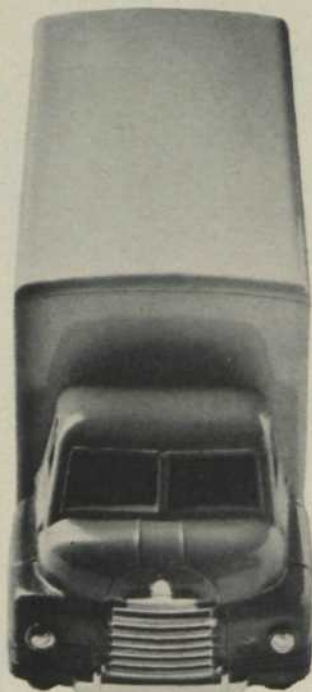
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WHAT A BUSINESSMAN SHOULD KNOW ABOUT HIS VEHICLE INSURANCE WHEN:



The company acquires additional vehicles

Much depends upon how your vehicle liability insurance is set up. If your cars and trucks are insured under a basic automobile liability policy, any additions are covered automatically for a period of thirty days only. This means that when your company acquires a new vehicle it must be reported to the insurance company within thirty days so that your coverage may be extended to it.

If you own five or more cars, and they are covered under a fleet insurance plan, new cars are automatically included when acquired. If your vehicles are insured under a Comprehensive Automobile Liability policy, you don't need to be concerned about the thirty day limit. Any new vehicles you may acquire are covered automatically against liability claims for the policy period.

Employees use their own cars on business

If an employee, driving his own car, should be involved in an accident while on company business, you can be held legally liable. Any insurance he has on his car goes toward covering your liability,

but what if he has none, or if it is inadequate? To cover you against that kind of risk, your company should carry employer's non-ownership liability insurance. It can be bought as an addition to your other automobile liability policies, or, if you have Comprehensive Automobile Liability Insurance, this protection is automatically included. That's another advantage of having the comprehensive type coverage.

Vehicles are rented

Should a car or truck rented by you cause injury or damage to someone else in an accident, the injured party will usually make claims against both the owner of the vehicle and your company. You can be protected against this kind of liability risk in two ways. You can take out insurance specifically for your hired vehicles, or it can be bought as an addition to your other automobile liability insurance. If you have Comprehensive Automobile Liability Insurance it is included.

Business vehicles are used out-of-state

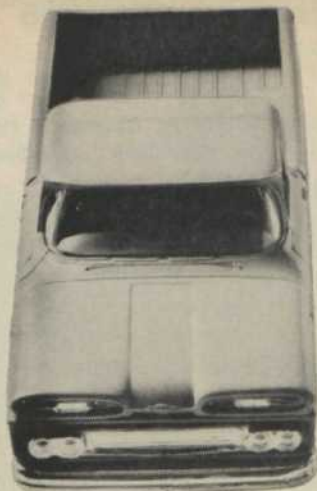
If your business vehicles cross state lines, it is essential that your liability insurance be written for limits that satisfy the highest requirements of the Compulsory Automobile Insurance or Security Responsibility Laws of all states in which your cars operate. Failure to meet these requirements can result in suspension of vehicle licenses, and necessitate filing of proof of future financial responsibility, involving higher insurance costs. It is important to recognize that liability limits required by law are merely minimums—to as-



sure adequate protection of your own interests higher levels are usually necessary.

There is an accident

Everyone who drives your business vehicles should be trained to report accidents to your organization's insurance agent or broker right away. All automobile policies require prompt notification to the insurance carrier. The sooner



your company is informed, the sooner it can render expert help.

Accidents often happen hundreds of miles from the "home" of a business. Only by making sure that your insurance is with a company licensed to operate in every state and having service offices coast to coast, can you be certain that there will always be prompt assistance nearby. The Hartford Insurance Group, for example, has 260 claim offices all across the land, plus 34,000 Hartford Agents, ready to serve policyholders.

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May will be historic month for middle-aged and party faithful

BY MERRIMAN SMITH

MAY, 1962, could turn out to be a far more significant month in a certain kind of history than many of us can imagine.

It may turn out to be a rather so-so month in the thunderous history of the Schlesingers or the various Alsops who specialize more in centuries of crisis than months of moment. These noted fellows seem happier when being unhappy and, consequently, they overshoot some of life's meaningful mileposts.

Assuming we still have a world by the time this is printed, May can be full of good news for millions of Americans.

For one thing, President Kennedy celebrates his forty-fifth birthday May 29. Nothing since the orbital space flight of 40-year-old Lt. Col. John Glenn offers quite as much encouragement to those with bulging waistlines and reading glasses as the fact of the chief executive's forty-fifth anniversary.

Here is the ammunition with which to fight youth. Not destroy it; just fight it.

President Kennedy and Colonel Glenn taken together represent a quiet sense of satisfaction and accomplishment for those of us beyond the senseless checkpoint of two score years.

Crushed is the smirking pride of the 19-year-old gunning Dad's old heap up to 70 miles an hour on the way home from a dance. What's so great about 70 when an old geezer of 40, and him with kids in high school, goes tooling around at 17,500 mph?

And who dances the Twist better than just about anybody in Washington? If you believe the society pages, it is Secretary of Defense Robert S. McNamara who is in his forties.

The dynamic entry of the President and his New Frontiersmen into Washington life and the fervid international arena was hailed at first as a walloping victory for youth over palsied oldsters of the Eisenhower Administration. This, however, turned out to be a somewhat perishable comparison. At best, it was a victory for the younger, not the young.

Merriman Smith is the White House reporter for United Press International.

If such an evaluation seems far-fetched to those in their twenties and thirties, let them examine what has become the most prevalent symbol of the current occupant of the White House: the rocking chair.

There may be times when Mr. Kennedy wishes some other symbol had caught on, but short of an embarrassing public disavowal, the President is stuck with his rocking chair in the manner of Mr. Eisenhower and his golf clubs or Mr. Truman and his sulky cap.

In fact, the rocking chair has become a form of salute to the President, even more than PT-109. At a recent Democratic dinner for more than 3,000 \$100-a-head contributors in Miami, the glittering



American youth can learn from President Kennedy and Colonel Glenn that men past 40 are not finished

centerpiece of a multi-tiered dais consisted of two good-sized rocking chairs made of pastry and painted gold.

At the annual dinner of the Gridiron Club in Washington recently, a large-as-life rocker was offered to the President as a souvenir of the evening. He left without it, possibly because scarcely a week passes without an express truck depositing another

TRENDS: WASHINGTON MOOD

rocker at the White House from a friend or hopeful rocking-chair pusher.

It is true that the chief executive and those around him favor the PT boat for badge or symbol purposes. The World War II craft executed in golden or silver miniature comes in two personal models—a tie clasp for men, a small costume pin for the ladies. But these are not talismen of youth, dating as they do to an era that seems mighty distant to some of this year's first voters.

The ages of Messrs. Kennedy and Glenn might have ultimate influence on the flinty hearts of personnel managers who regard 40 as the cut-off age for hiring. Who can say with assurance these days that a man over 40 is a bad risk for a new job?



The President's birthday this month brings us to another milestone of truly historic progress, a shining marker that will be unveiled in New York's Madison Square Garden on the night of May 19.

The Democrats that night will attempt a daring departure from the political norm by having a \$100-a-person fund-raising party without serving food. Banquet managers and innkeepers may sulk in their dank bins of untossed salad, but the May 19 party could be a significant political development ranked only by invention of the public address system or the television debate.

For more years than are sensible, the faithful of both parties, and some not so faithful but knowledgeably opportunistic, have been hounded and harried into barns and basketball courts, ballrooms and cellars and required to fork over \$100 for forking up a \$5 meal.

This system was regarded as a palatable way of gathering in the sheaves to help relieve the almost inevitable deficit that follows any major election campaign.

The Democrats have decided on at least a try at something new—a foodless banquet. Their fund-raising party at the Garden will be \$100 a seat and the house thus has a potential gross of \$1 million. No dinner, no cocktails—just a wallop stage show with the best of Broadway, Hollywood and television and the inevitable few remarks from honored guests.

Even if it rains and the show stumbles, the affair should be a vast improvement over the overcrowded \$100-a-plate dinners which President Kennedy has been plowing through this year in such intimate little *boites* as the Palladium in Los Angeles and the District of Columbia Armory, plus assorted banquet arenas of hotels from Phoenix to Chicago.



Much of the time, these theoretically joyful affairs are held in halls so huge, so removed from the mainstream of city life that food must be cooked elsewhere and trucked in. The time schedule for any gathering of 5,000 people invariably runs late, the food becomes clammy or dehydrated, the baked

Alaska begins to dribble and somehow the wine seems to have grit in it.

If the New York experiment on May 19 enjoys any reasonable amount of success at the cash register, possibly the Republicans might want to examine their own banquet policy. The blessings of a no-food banquet are understandably negative, but blessings nonetheless.

No compote of fresh tropical fruit delicately flecked with the cigar ashes of a passing chairman; no turgid soup with algae of anonymous meat and carrot peel; no pemmican disguised as baby beef.

No more low-cut ladies howling in outraged pain when hit by scalding coffee as the waiter is forced by crowd conditions to dispense his fare from two tables away. No 12 diners wedged in \$100-a-plate torture at tables for eight.

No matter how successful the Democrats are this month with their new fund-raising technique, it will not wipe out political banquets entirely. Not right away, in any case. A great many American politicians, regardless of party, suffer from what might be identified as the head table syndrome.

After sundown, many of our leading political figures seem to feel out of place if they're not at a slightly elevated table, looking down on a munching audience of captive parishioners awaiting a gospel they know so well.

This form of indoor sport or torture, depending on one's seat, patience and capacity for listening, could be diminished or outmoded considerably for the party contributor if the New York show works for the Democrats. It could mean new freedom not only for Mr. Kennedy, but his successors.

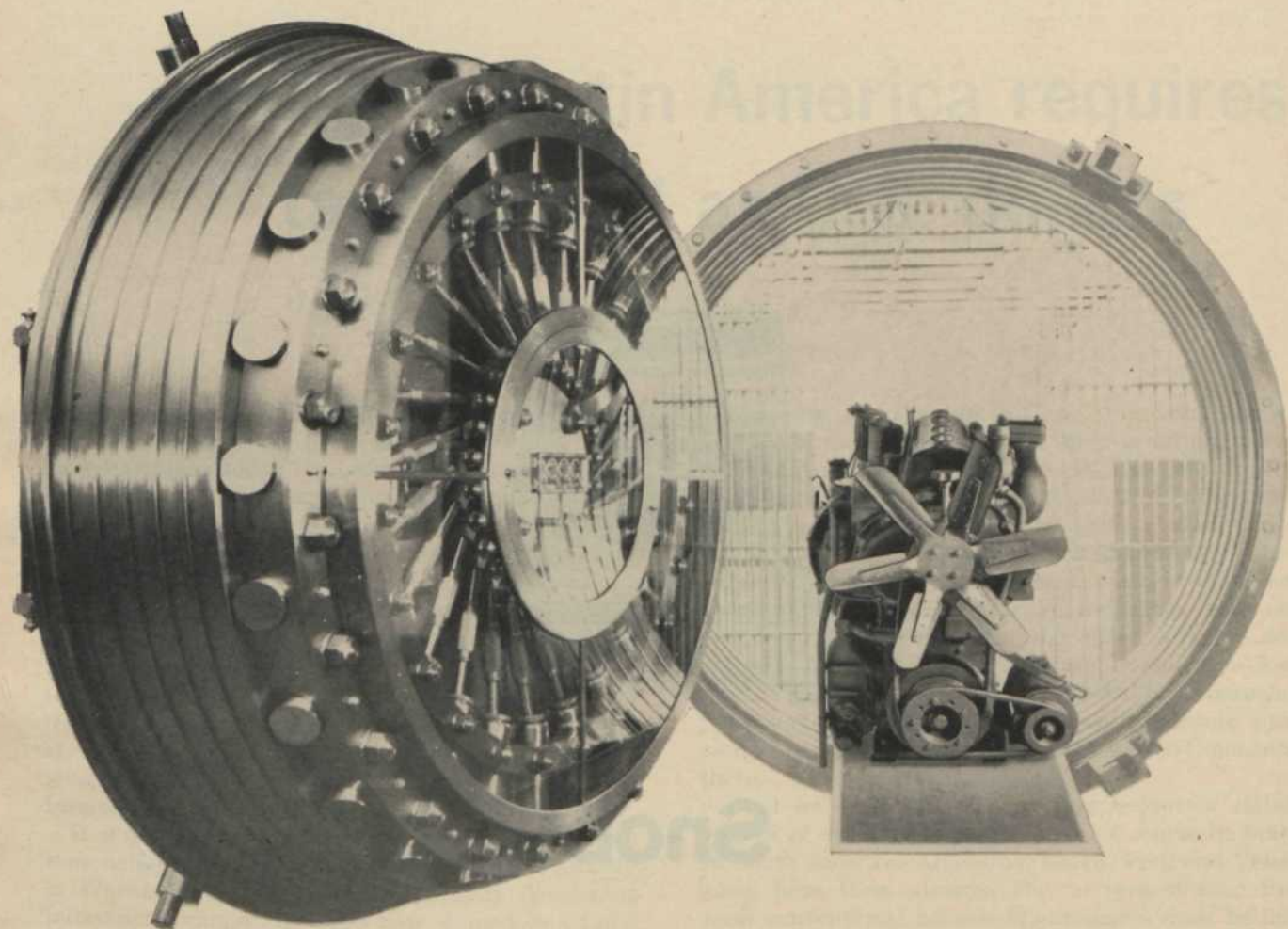


It is a matter of personal knowledge that Presidents Roosevelt, Truman and Eisenhower during their White House days spoke privately of their antipathy to banquets; an antipathy that mounted in intensity with experience. They were victims of a curious form of human vanity, an inordinate satisfaction in saying to others less fortunate, "I had dinner with the President the other night and he said . . ."

Mr. Kennedy has learned in a remarkably short time the hazards, the drawbacks and sometimes the utter boredom of the banquet circuit. He knows the political advantages, too, but for his own welfare and peace of mind, he has to strike a balance.

The New York party may take about as much of the President's time as a conventional banquet, but the work won't be as hard. The affair should take no more than two or three hours, more than half of which the President can relax in the darkness and watch the entertainment. Then, of course, will come the speeches and if the Democratic experiment works, the contributors will march out into midtown Manhattan entertained and possibly in a better mood about parting with another \$100 the next time the party calls for help.

And perhaps the day will come when political civilization reaches the point of being able to support the two-party system without having to feed or entertain the contributors.



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Aid to Latin America requires tact as well as U.S. dollars

BY FELIX MORLEY

WHEN THE MARSHALL PLAN for European recovery was launched in 1949, it was billed as a four-year undertaking. No such expectation of short-term operation is indulged in regard to the Alliance for Progress, to which the United States has already committed more than \$1 billion for Latin American development.

After four years of American assistance the Marshall Plan beneficiaries in Western Europe were for the most part no longer in any need of this support. Indeed, for some time now these governments have themselves been participating in the over-all program of help for underdeveloped countries, though not always as lavishly as officials of AID—our Agency for International Development—consider appropriate.

It is no longer the economic weakness of those who were helped by the Marshall Plan that causes anxiety in Washington, but rather their rapidly developing industrial strength and know-how. Joined in a Common Market that points ever more clearly to ultimate political federation, Western Europe is already offering our manufacturers the keenest sort of competition in domestic markets as well as those to which we export most largely.



For many reasons it is impossible to expect that Latin America can so quickly be made economically and politically healthy, regardless of the number of dollars poured in. Even a visit to a few coastal cities of that huge continent suffices to explain why the Alliance for Progress is envisaged as at least a ten-year project, with an American contribution of perhaps twice that many billions.

In the first place, the social and economic background of all the Latin American countries is unlike that of any but the most backward areas in Western Europe. There it was a matter of reviving what, before the war, had been very much a going concern. The European peoples, once pointed toward recovery, could be expected to solve their own problems, and they have done so.

From the Rio Grande to Cape Horn, not less so because of local dissimilarities, the over-all picture is vastly different from that of Europe. The Latin American countries trade very little with each other and electric power, when available, seldom crosses national frontiers. They are still predominantly agricultural, mostly huge plantations concentrating on one-crop production. Extractive industries, such as petroleum, iron, copper, tin and silver, are well developed in spots, but manufacture is still at a low level. The freighter on which I traveled to Venezuela, for instance, was heavily loaded with bathtubs and simple laundry equipment for housing developments there.

Steel mills, which seem to have become a status symbol of economic maturity, can of course be built in South America. Argentina, Brazil, Peru and Venezuela have them already. But at present even the most conventional household appliances must be imported. American razor blades form most of the peddler's stock-in-trade around the highly odorous markets of Maracaibo and Cartagena.

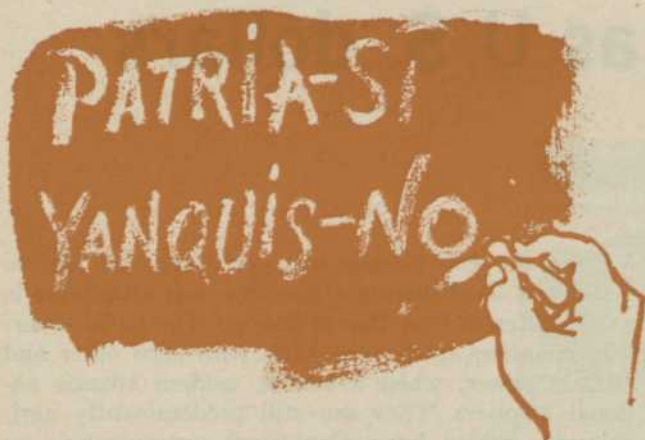
If the Latin American countries were all feeding themselves, there would be no cause for alarm in their present dependence on imports for all kinds of consumer goods. But even solidly agricultural districts do not produce enough to nourish the local population. At the little Colombian port of Santa Marta our ship unloaded hundreds of sacks of cornmeal destined for a hinterland which could readily produce this staple. On each sack was stenciled: "Donated by the People of the United States," a goodwill message by which the Spanish-speaking and largely illiterate stevedores were obviously unimpressed.

The semif feudal land system and the general ignorance of the peons are cited to explain the retardation of diversified farming. While urging agricultural reform, with some success, Washington is stepping up the supply of American foodstuffs. On March 16 AID announced expansion of its free lunch program for Peruvian school children. A pilot venture, transport-

TRENDS: STATE OF THE NATION

ing our farm produce south of the Equator, was started last year for 30,000 children and is now expanded to feed 175,000, with plans to supply "one million by the end of 1965."

This particular program was launched to meet a local famine emergency but is now regarded as permanent by the Peruvian government, which has



Latin Americans' national pride would be wounded if U. S. demands for economic reforms were too blunt

created 200 new officials to supervise it. More than a quarter of the cost to the American taxpayer—\$1.8 million for the current fiscal year—is in the form of shipping charges. It is described by AID as "a complete success," citing as evidence a 40 per cent increase in school attendance where the free lunches are provided. This evidence was far from conclusive to a somewhat cynical group of Latins with whom I discussed the subject.

"I'm surprised," said one, "that there wasn't a four-fold increase as soon as the parents learned it meant free food."

This remark led on to discussion of the really alarming population growth in Latin America, now mounting faster than anywhere else in the world, including India. In Peru the increase has been running at the rate of 2.5 per cent annually; in Venezuela last year it was 3.5 per cent; in some Central American countries even higher.

In the words of Teodoro Moscoso, Alliance Coordinator for AID, this means that "Latin America will have to run very fast just to stand still, even in terms of today's living standards which are so desperately low." At the moment progress is backwards, since in few Latin American countries is production increasing as fast as population.

Fowler Hamilton, the Administrator of AID, has made abundantly clear that assistance from the United States will be dependent on Latin American economic reforms. But pressure to that end must be

exerted tactfully, or the result will be intensified charges of "Yankee Imperialism." Already the communists assert that AID reveals a guilty conscience. "They offer to return a fraction of what they have stolen if we accept their system of monopoly capitalism." No matter how absurd, such statements find a measure of acceptance.

The basic problem confronting the Alliance for Progress is how to build a strong and responsible middle class in all the Latin American republics. In some the nucleus is already well established; in others almost wholly lacking. Even between adjacent and climatically similar countries, such as Venezuela and Colombia, there will be differences in many aspects of the problem. But the over-all difficulty caused by the absence of those willing and able to accumulate venture capital is everywhere apparent. Its shortage is apparent in the prime bank rates for borrowers, currently ranging from eight per cent in Venezuela to double that, or even higher, in Chile and Peru.

That Latin Americans have themselves diagnosed their basic problem is shown by the recent establishment, in several countries, of private research organizations dedicated to better understanding and promotion of free enterprise. Two that are outstanding are the Institute of Social and Economic Investigation, in Mexico City, and the Institute of Economic and Social Analysis, in Caracas. Publications of the one in Mexico are directed to the average reader, while that in Venezuela issues rather more specialized studies. They are designed to counter the influence, among the intelligentsia, of the strongly Marxist national university there.

On April 14, Pan-American Day, anniversary of the first step toward making the Americas one "continental community," was celebrated in many schools and colleges throughout the United States. But the programs generally concentrated on the merely colorful and romantic aspects of Latin American life. "A series of glamorous fashions" was the description of one. Another was featured by drum majorettes, who pranced with flags of the various republics.

It would seem desirable to devote some of this gala to better mutual understanding of the grave economic problems of Latin America and of the long-range measures that are necessary for any real solution. Intergovernmental programs, like those of the Alliance for Progress, inevitably suggest that exploding populations will be cared for so long as they keep governments subservient to us in power. This means that the incentive for learning the economic facts of life is low.

A neglected aspect of the Alliance for Progress is better cooperation between our private research agencies and those which, often on a financial shoestring, Latin America is itself developing. Only from their own leadership can these people be expected to learn that combination of social conscience and economic know-how which alone gives us the right to render advice to them.

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FORD GALAXIE	\$2378



Dodge Dart 2-Door Sedan

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taxes (if any) and destina-
tion charge extra.

Old people will shape U. S. future

They can be pressure bloc or contributors to national strength

WILL MEMBERS of the growing senior population be encouraged to become increasingly useful and self-respecting contributors to our society and economy?

Or will national concern for the aged create in America a pampered class of retired people courted and exploited by politicians?

Already the federal government has built up a \$15 billion-a-year structure of activities to help the aging.

Business has a special interest in which course the nation takes. Those who produce are becoming a smaller proportion of the population. Those who are no longer producing but still consuming are increasing in numbers. Unless productivity of those working increases to take care of the dependent, young and old, our standard of living will suffer.

Americans traditionally have met true needs of any group. But to do more, it is generally agreed, would be a misuse and waste of resources and tax money. As any businessman knows, wants are insatiable, but resources are limited and must be allocated on some just basis.

If the aged are lumped together and isolated by appealing to their self-interests and making them unhappy with their lot, they can be welded into a hostile voting bloc exerting great pressure for special privileges and an extra large share of national resources.

Attempts are now being made in many parts of the country to band the older citizens together and whip up their emotions for political purposes. Elsewhere private and public officials are seeking to meet problems of the elderly in calm and constructive fashion. Nineteen national organizations of older citizens have been organized in recent years.

This month the National Council of Senior Citizens for Health Care Through Social Security will hold a massive rally in Madison Square Garden.

President Kennedy will speak. The meeting will be broadcast to a score of cities where simultaneous rallies will be held to dramatize this touchy issue.

The National Council is the biggest, newest group seeking legislation for the aged. It wants hospital and nursing home care paid by social security taxes for any aged person eligible for social security even if he is working or able to pay his own medical costs.

The organization is headed by Aime Forand, retired Rhode Island congressman and long-time sponsor of compulsory federal medical care for the aged. When he set up the organization last fall, he wrote 1,900 letters to heads of groups of elderly and of retired union members saying the purpose of his National Council was to tie senior citizen organizations and millions of interested individuals into "one strong and effective voice in Washington."

The Council now estimates that its member groups and affiliates exceed 600,000.

In Florida, where of every six voters one is 65 or older, Malvin Englander, vice mayor of Miami Beach, testifies to their political potency.

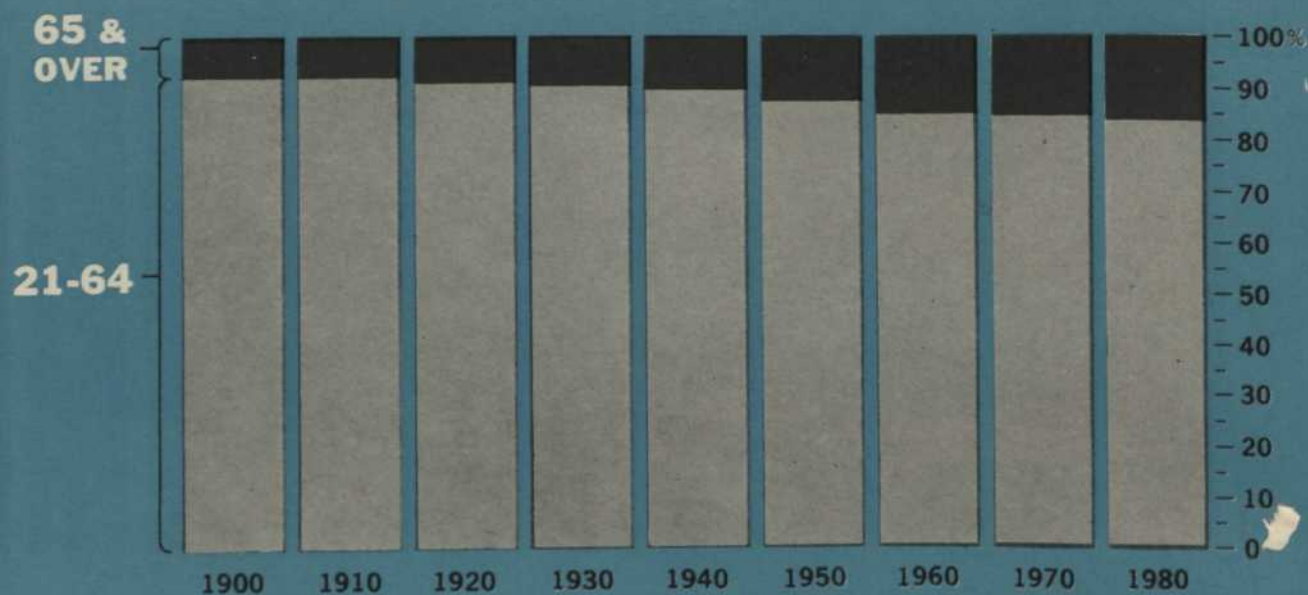
"Running for city council a year ago, I found myself approached by five or six senior citizens groups. They went all out for the opposition. In the election I ran first or second in votes throughout the city of Miami Beach; but in areas where senior citizens predominated and where the retirement hotels are located I ran a bad fourth.

"A great many political opportunists create such clubs and use them to bilk elderly folks out of funds which go for political activity."

In Fort Lauderdale earlier this spring, the U. S. Senate subcommittee on problems of the aging heard Dr. Edward Annis of Miami testify on the health tax issue. When he said that not everybody over 65 is sick or poor, that money should be used only for

BOOM IN SENIOR CITIZENS

Aged becoming larger percentage of voting population



Old people will shape U.S. future *continued*

those who need it, he was fiercely booed by the oldsters who made up the audience.

In California, where a swelling aged population of nearly 1.5 million is second largest in the country, George McLain, president of the National League of Senior Citizens, says:

"All across the nation, older voters are discovering that they are a political sleeping giant. We proved that in California, when our gray-haired revolt drew a whopping 650,000 votes (a slate of delegates to the Democratic National Convention in 1960) and panicked the politicians of both parties."

In his sales literature, Mr. McLain urges the elderly to "Wake up and join the National League of Senior Citizens and tell the politicians that we're tired of being pushed around. We're 23 million strong and eager to show what we can do."

His program calls for \$173 a month in social security payments for all at age 60, free medical care, low-rent housing, and "the eventual end of old-fashioned state hand-outs with the armies of peepers, snoopers, Hawkshaws and busybodies who masquerade as welfare workers."

Mr. McLain declares he "has won millions in new state and federal benefits for the elderly."

Political appeals to the aged are not without precedent. Dr. Francis Townsend gained widespread support with his Townsend Plan of the 1930's. The plan

called for a guaranteed income of \$200 a month for everybody more than 60 regardless of need so long as he spent all of the government money each month.

But only in recent years has the issue of the aged become one of the first magnitude. In the past decade the aged population has grown at twice the rate of the total U. S. population.

At the turn of the century only one person in 25 lived past the age of 65. Almost all men worked until they died; few could afford retirement. Today two out of every three persons alive can expect to live past 65. Many will live to be 90 and 100 and may spend one third of their lives in retirement.

Persons 65 and older now number 17 million, some 15 per cent of the voting-age population. Although half the population in the U. S. today is under 30 years of age, by 1970 half the adult population will be more than 45. Under programs already in existence, they can receive federal help in almost every phase of their lives.

Some 70 per cent of those more than 65 get payments either under social security, under relief for aged provided by public assistance, or both. In addition, thousands receive pensions under the Railroad Retirement Act, federal worker retirement programs and from veterans' programs.

In the area of health, the Public Health Service provides grants for working with the chronically ill and aged and for construction of new medical facilities and nursing homes. Through its National Heart and Mental Health Institutes, it conducts extensive research into the aging process. The Veterans Administration also explores the aging process and rehabilitation methods.

The Department of Agriculture does special stud-

Interested audience of elderly persons listens attentively to discussion of proposed federal legislation at hearing in Eugene, Ore., before U. S. Senate's Special Committee on Aging



HARRY I. GROSS

ies on diet and nutrition of the aged. The U. S. Office of Education helps states and universities develop programs to meet vocational and educational needs of older persons, makes grants for research in gerontology and prepares materials relating to educational needs of the aged.

The Office of Vocational Rehabilitation makes grants to state rehabilitation programs to help get disabled workers back on the job. Nearly one third of these are aged.

As for employment, the Department of Labor's Bureau of Employment Security gives special attention to older workers. The Labor Department also has programs to promote more public understanding of the employment problems of older men and women. The Department's Women's Bureau has devised a community action program to encourage employment of mature women.

The Bureau of Labor Statistics has been researching work performance of older workers and probing into how automation and collective bargaining agreements affect them.

The classified Civil Service of the federal government has no age ceiling for hiring new employees. Retired federal employees can be rehired by the government regardless of age if they are qualified.

The older taxpayers are granted tax relief of more than \$750 million a year under federal law. For example, a person 65 or older doesn't have to file an income tax return unless his income exceeds \$1,200. Double that for married couples over 65. Social security and Railroad Retirement benefits are not subject to federal tax.

Taxpayers 65 or more may deduct all their medical expenses up to \$5,000 rather than only those

expenses in excess of three per cent of adjusted gross income allowed younger taxpayers. A taxpayer and his wife over 65 also may deduct up to \$30,000 a year in medical expenses if he is disabled. The younger disabled man has a \$5,000 maximum deduction.

Retired persons also can claim a credit of up to \$240 on income from dividends, interest and rent.

Special federal housing provisions help the older person buy a home, encourage rental housing designed for the aged and make low-rent public housing more accessible to the elderly.

Both profit-making and nonprofit organizations, such as churches and labor unions, can get FHA mortgage insurance on all or most of the cost of rental housing projects in which at least half the dwelling units are designed for older tenants. A program of direct loans from the Housing and Home Finance Agency is available to private nonprofit borrowers for rental housing for the elderly.

The Federal Council on Aging, an interagency government body, also reviews existing programs and recommends priorities and future programs to meet the needs of the aged.

A Special Committee on Aging has been created in the U. S. Senate. It is looking into a variety of possible future legislation to better the lives, guard the savings and generally provide special treatment to appeal to the aged.

The aged are becoming an expanded market not only for political activity, but for recreation, travel, education courses, social programs, geriatric medicine, foods, housing centers, health insurance, and other services.

An organization called the American Association of Retired Persons is

(continued on page 104)

BUSINESS OUTLOOK SHOWS SOUND STRENGTH

Underlying forces assure continued rise

By **MARCUS NADLER**, Professor of Finance, Graduate School of Business Administration, New York University

THE NATION'S ECONOMY is moving ahead on a sound footing.

No end is in sight for the upturn which began 15 months ago.

In the next 12 months the upward movement is likely to be only moderate, probably at a lower rate than the fast pace of last year. On the other hand, the absence of boom conditions and excesses may make it possible to sustain the upward trend for a much longer time.

More rapid economic growth would require a new stimulus, such as a drastic revision of the tax structure or some significant scientific breakthrough.

Even without such stimuli, the economy is still bound to grow—perhaps at a faster rate than is now envisioned.

A free economy is bound to have ups and downs. A temporary lull—such as that early this year—is not therefore of great significance. The main considerations are whether the economy is basically sound, free from major defects, and whether the underlying economic forces are headed upward.

Unlike previous recovery periods, inflation has remained relatively dormant. During practically all of 1961 the index of wholesale prices remained at around 119 (1947-49=100).

The rise in consumer prices was one of the smallest in recent years and was due almost entirely to

the continuous increase in the cost of services.

Expansion of inventories was small and the demand for credit from business and consumers was moderate and below expectations. Federal Reserve policy was consistent both with domestic business conditions and the international position of the dollar. Short-term interest rates were kept relatively high to prevent a large outflow of funds and gold, while long-term rates remained at about their previous level. Bank credit was ample. Productivity rose and, on the whole, industry enjoyed a fair degree of labor tranquility.

Elimination of the threat of a steel strike—which might otherwise have been called in July—illustrates this relative labor peace. Prospects for the future, too, indicate the probability that industry will lose less production time because of strikes at least through next year.

Expansive forces

Disposable personal income and personal consumption expenditures, the most important economic forces, are rising and this trend will continue. Unemployment declined from a seasonally adjusted ratio of seven per cent of the civilian labor force in May 1961 to 5.6 per cent in February 1962. This trend will also continue.

Wages are rising. Consumers will,

therefore, have the money to expand their purchases. Furthermore, since consumers have been buying less on credit, they are in a strong position to incur debt more readily to buy durable goods.

As has been the case for many years, it is fairly certain that consumption expenditures on services will rise more rapidly than total spending. This often is at the expense of nondurable goods, particularly those not considered necessities.

It is possible, therefore, that nondurable goods will not share fully in the growth of disposable personal income.

Consumption expenditures on durable goods, such as automobiles, home furnishings and other household goods, will rise. The outlook for the automobile industry is favorable and it is generally expected that the output and sale of cars during the current year will be the second highest on record. Thus, in the months ahead the consumer will contribute more substantially to the recovery in business than in the past few months.

The prospects for increased plant and equipment spending by business are favorable. The recent survey conducted by the Securities and Exchange Commission and the Department of Commerce indicates that such outlays will total \$37.2 billion in 1962 compared with an

annual rate of \$36.1 during the first quarter and \$34.4 billion in 1961.

However, a real boom in producers' goods industries is unlikely. Industry is still operating below full capacity, and profit margins are still being squeezed by rising costs and stronger competition. Only when industry begins to operate at or near capacity and earnings are considerably higher than at present can one expect a sharp rise in plant and equipment expenditures.

It is also doubtful whether the accumulation of inventories will be as important in the future as in the past. During previous swings of the business cycle, inventories rose sharply during the recovery and declined rapidly during the downturn. This is not likely to occur again. Fear has diminished that the business expansion will lead to a pronounced price rise for goods.

Productive facilities have been greatly expanded, and distributors know that their orders can be filled without delay. There is also little fear of prolonged strikes in manufacturing industries. Finally, computers have helped management to handle inventories more scientifically than ever before.

New construction, particularly public works, is bound to be at a high level in the coming year. In all probability, however, housing starts will show only a minor increase, primarily because most of the pent-up demand for housing has already been met. Thus, plant and equipment spending by corporations, the accumulation of inventories, and new construction will all contribute moderately to an increase in business activity, but, barring unforeseen events, no boom conditions in these fields are to be expected.

Government policies

Federal, state and local government spending will continue to play an important role. Total government purchases of goods and services were running at an annual rate of \$113.2 billion in the fourth quarter of 1961 compared with \$101.6 billion the year before.

Federal expenditures, particularly on defense and space activities,

will continue to rise, although the increase from now on will not be as rapid as in the past few months.

The Treasury estimated that the 1963 fiscal year will show a surplus of \$500 million but it is questionable whether this aim will be achieved. More likely, there will be a deficit of several billion dollars.

State and local government expenditures have risen each year since the end of World War II and will continue to do so. With the growth in population there is a demand for more public services, which are becoming more costly to provide. It is therefore evident that government will continue to contribute to business activity, although this stimulus may not be as strong as during 1961.

Monetary policy

Federal Reserve policy will be designed to promote continued economic growth. While it is possible that, with an improvement in business, a reduction in unemployment and an increase in the volume of bank credit, the discount rate may be raised and credit policy in general moderately tightened, a return

to monetary stringency, such as existed at the end of 1959, is not to be expected.

So long as inflationary forces continue to be weak, the availability of bank credit will remain substantial. The commercial banks will continue to be in a position to meet all the legitimate credit requirements of industry and trade.

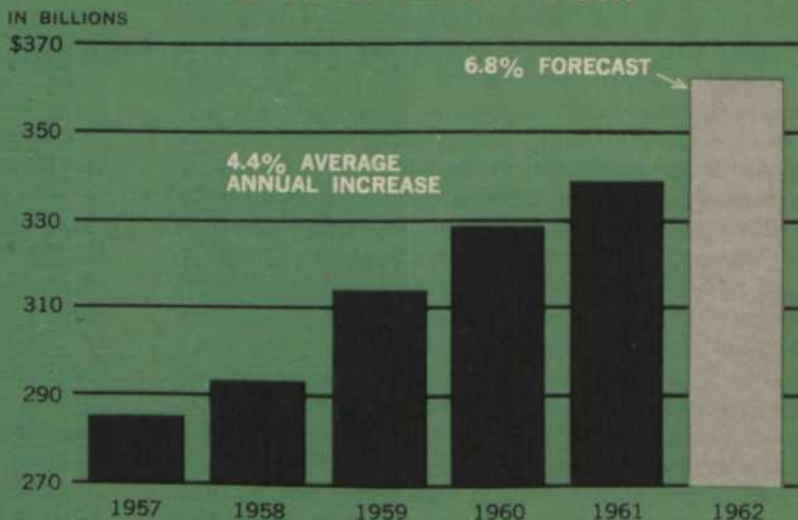
Similarly, there are no reasons to believe that long-term interest rates will rise sharply and that credit-worthy industries will not be able to obtain needed long-term capital. Supply and demand forces in the capital market are now fairly well balanced.

Industry, particularly manufacturing, will continue to rely increasingly on depreciation reserves and retained earnings, particularly with further liberalization of the depreciation provisions of the Internal Revenue Code.

Individual savings are large and institutional investors are seeking suitable outlets for their funds. Relatively easy money and capital markets will therefore also contribute to the further improvement in business.

END

CONSUMER BUYING GIVES BUSINESS STRONG PUSH





Management skill will determine our future

New Chamber president says U.S. business will meet world's challenges

AMERICAN BUSINESS in the future will operate increasingly in a world market, and its economic health will depend more than ever on management skill.

That is the view of H. Ladd Plumley, a thoughtful and articulate insurance executive from Massachusetts who is the new president of the Chamber of Commerce of the United States.

Mr. Plumley, who will be 60 on May 13, is board chairman and president of State Mutual Life Assurance Company of America. State Mutual is one of the oldest and largest of the nation's 1,400 life insurance firms, ranking fifth in age (chartered in 1844) and twenty-seventh in assets (currently more than \$761 million).

His conviction that American business is entering a new world market era in which management skill will be its greatest competitive asset was expressed in the course of an interview in his office on the top floor of State Mutual's handsome home office building on the outskirts of Worcester, Mass.

"The breadth of our national economy is so great," he said, "that most business firms have been able for a long time to plan and conduct their affairs without paying too much attention to what was taking place beyond our borders. But that time is past.

"The disciplines of a world market are now beginning to bear down on all of us.

"Our interdependence with other countries will in-

Even while relaxing on trips, Mr. Plumley keeps in touch with his business, reading reports and dictating letters



Mrs. Plumley, noted for her contribution to nursing education, shares in many of her husband's civic activities and other interests



BOB TOWERS—BLACK STAR

crease rapidly in the years ahead, whether we like it or not. There's no reason why this prospect should dismay us. If our forefathers had been timid and frightened of change, America would have remained a collection of small, sovereign states instead of becoming a great, unified nation.

"Today we have to think of the whole world with the same boldness and imagination which the founding fathers displayed in the Federalist papers."

He cited the trade bill now before Congress as a practical application of this concept.

"This is one of the most important pieces of legislation in many years," he noted. "Our world trade position, the strength of the dollar, the vitality of our domestic economy and the jobs of million of workers are at stake."

The tariff adjustments authorized by the bill are necessary, he said, if the United States is to become a trading partner rather than an outmatched competitor of the powerful new Common Market which has emerged in Western Europe.

"This is a different Europe, with plant and equipment newer than ours and a labor cost per hour far below our own. I fear that up to now we have been complacent because the European manufacturing machine has not achieved its potential. During this time they have imported many of our products to supplement their capacity and have not made the in-

roads in foreign markets which we will shortly begin to observe.

"Thus far, due to decades of automation, skilled workmen, investment in research, an effective distribution system, and a deep well of savings, we have had the edge. But tomorrow's conditions are not those of yesterday."

If Western Europe has newer plants as well as lower labor costs, won't American goods be priced out of the Common Market, even without tariff walls?

"No," answered Mr. Plumley. "We can compete effectively in a free world market because there is still one important element of production in which we are clearly pre-eminent. That is management."

As vice chairman of the U. S. Management Advisory Committee to the Organization for Economic Cooperation and Development, Mr. Plumley travels abroad to consult with European business leaders. On a visit to Paris in March, he had a conversation with a European industrialist about the relative importance of the various elements of production—capital, labor, raw materials, and so forth.

"He was convinced that management represents at least one third of the equation," Mr. Plumley said. "And I agree with him. Our great strength in the emerging world market will be management skill."

But America cannot rely on management brains alone to preserve its world (continued on page 42)

TAX CHANGES KENNEDY WILL ASK IN '63

Emotions, politics and economics
mixed in drafting new proposal

EVEN AS CONGRESS struggles with the Kennedy Administration's limited tax bill, Treasury Department officials are at work on a new and far more sweeping tax package to put before Congress this summer for action next year.

Staff work on this long-heralded measure is being accelerated. And although final decisions are still to be made, the broad outlines are becoming clear. Here are some things to watch for:

- Some reductions in the highest and lowest bracket individual income tax rates and possibly some corporate income tax cuts.
- Some plan to permit taxpayers to average widely fluctuating incomes over a period of several years in figuring their taxes.
- A host of proposals to tax some types of income now exempt, to raise rates on some types of income, and to reduce or eliminate some tax deductions.

In the last category, almost certain to be singled out for stricter tax treatment are such items as stock options and some other forms of special incentives for high corporate officials, sick pay benefits re-

ceived by some workers, income from mineral properties, and casualty losses.

Also under consideration are taxes on presently tax-exempt interest on state and municipal bonds, a trimming of the deduction allowed for medical expenses, repeal of special retirement income credits for old people, taxation of interest built up on life insurance policies, and a cutback in the deduction allowed for interest payments.

"There's practically no aspect of income taxation that isn't being reviewed," according to a Treasury Department official. Of course, many of the changes being studied will ultimately be discarded because they are deemed not to be economically or socially desirable, or they are too difficult to draft or administer, or they are too controversial politically.

The Administration's general philosophy as it approaches the big tax project was set forth by President Kennedy in his Economic Message.

"Later this year," he said, "I shall present to the Congress a major program of tax reform. This broad program will re-examine tax

rates and the definition of the income tax base. It will be aimed at the simplification of our tax structure, the equal treatment of equally situated persons and the strengthening of incentives for individual effort and productive investment."

Secretary of the Treasury Douglas Dillon puts it this way:

"Our aim is to reduce tax rates for all by eliminating the special tax privilege of some—while at the same time maintaining revenues needed to fulfill our national commitments."

Goal: correct inequities

This is the same approach that theoretically lay behind the more limited tax bill now making its painful way through Congress—but this time it will be applied on a much larger scale. Administration tax experts believe the present tax rates and many other provisions of the Internal Revenue Code have some serious shortcomings. They feel there is too great a burden on growth and investment in some instances, that tax considerations play too large a role in business and personal planning, that the law is more complex than it has to be, and, above all, that certain types of income or expenditure receive unduly favorable tax treatment.

This last defect, it is felt, creates inequities between persons with the



Averaging of income would
aid athletes, entertainers



Slight reduction in top
corporate rate possible

Unmarried breadwinners
may get better break



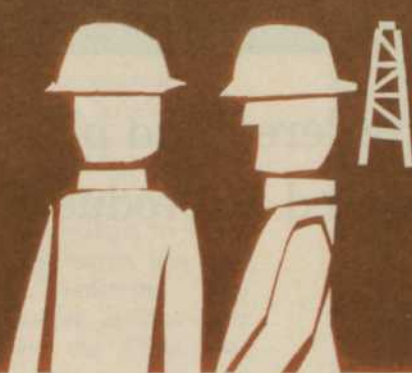
Deduction of interest on
some loans could be ended



Unions back rate cut
on low-bracket income



Depletion allowance for
oil, minerals is target



same over-all income and spurs the taxpayer to seek out new ways to reduce or escape his tax obligations.

As Secretary Dillon indicated, the Administration's goal is to go as far as possible toward working out a package in which revenue-reducing changes are almost balanced off by changes which will raise revenue. To accomplish the changes it considers economically desirable and politically feasible the White House is willing to accept some net loss in revenue—but it hopes to keep the loss low.

An immediate question naturally is how to define what is "economically desirable" and perhaps more important, "politically feasible." Some of the changes being considered are the result of court interpretations of the tax laws. But most will attack provisions that Congress put into the law to achieve specific purposes.

The potential for political heat is great. If, for example, Treasury officials argue that the sick pay exclusion or retirement income credit is a windfall and should be removed, union officials and old people will angrily reply that they are fully justified as a matter of equity. What Treasury officials may call a tax loophole, many economists will certainly consider a desirable incentive. What Treasury officials will suggest as a move to encourage eco-

nomic growth, many businessmen may reject as suffocating.

"Collective agreement on the ultimate goals of tax reform does not guarantee collective agreement on the details of the changes charted to reach those goals," the Treasury's top tax expert, Stanley S. Surrey, declared recently. "The pressures of history, the complex range of the income tax, the pulls and tugs of competing claims, the confusion between debating points and real issues, the inevitable limitations upon present information and future forecasts—all these play their part."

Hard fight forecast

Some key members of Congress think the Administration's manifold difficulties in pushing through the current relatively limited tax revision bill indicate that almost insurmountable hurdles await the big package. The present bill—with its provisions for an investment tax credit, tax withholding on dividends and interest, tougher taxation of savings and loan associations and cooperatives, tighter rules on expense accounts and tougher taxation of corporate income earned overseas—has loosed a storm of conflicting political pressures.

Union men want individual income tax cuts rather than the investment tax credit. Many busi-

nessmen want liberalized rules for depreciating capital assets as a form of investment stimulant. Commercial banks protest the interest tax withholding. Restaurant and hotel men fight the expense account limits.

"If this bill can get caught up in this kind of crossfire," said one Republican on the tax-writing House Ways and Means Committee, "what in the world will happen with one that is four or five times more comprehensive and controversial?"

A Democratic member gloomily asserts: "Everything I've seen this past year convinces me the Administration's hopes are utterly impossible to achieve."

Administration officials concede that difficulties lie ahead. But they are committed to the big bill, and work is going forward at the Treasury under the immediate command of Mr. Surrey, a former Harvard tax law professor. Secretary Dillon, Under Secretary Henry G. Fowler, Internal Revenue Commissioner Mortimer M. Caplin, Chairman Walter W. Heller of the Council of Economic Advisers and a number of other top administration men will be in on the final decisions.

The White House hopes to have its detailed proposals ready for the President to send to Congress shortly before the lawmakers go home. The idea is to let Congress and the taxpayers look over the proposals for several months and then be prepared to begin hearings when the new Congress convenes in January.

To some degree the contents of the new bill will depend on just how the more limited bill now under consideration finally comes out of Congress. If the legislators reject or radically revise some of the items the Administration has been seeking in that bill, the Treasury can be counted on to make another try in the big package.

For example, if Congress refuses to repeal the present limited exclusion and credit on dividends, the Administration will certainly ask for it again in the new measure. The same would be true if Congress

(continued on page 92)

New federal wage push boosts costs

Pay rises ordered and planned are not related to productivity

ALTHOUGH THE GOVERNMENT warns of new dangers which the inflation threat and price increases pose at this time, it seems bent on forcing your costs still higher.

The Administration is:

- Backing union-sought legislation which would increase the cost of government construction by requiring contractors on federal and most federally supported or insured projects to pay workers local fringe benefits or their equivalent in cash, as well as the prevailing wage rate now required. These rates run to more than \$5 an hour.
- Raising the minimum wages federal contractors of goods and services must pay in a manner which would increase costs for most firms, particularly smaller ones. These minimums go as high as \$2.84½ an hour for coal miners in Montana.
- Planning to raise the minimum salaries which you must pay to your executive, administrative and professional employees in order to keep them exempt from the overtime provisions of the Federal Wage-Hour Law.
- Asking Congress to raise salaries of 1.6 million federal civilian employees an average of 4.3 per cent next year and 10.2 per cent over a three-year period.

These moves seem inconsistent with President Kennedy's sharp criticism of proposals to increase steel prices; the productivity guideposts for private wage determinations which the Administration has suggested to avoid inflation, and the President's admonition that we cannot afford to let inflation again weaken our international competitive position.

The Council of Economic Advisers has suggested that wage increases, to be noninflationary and in the

public interest, should not exceed the annual rate of increased productivity of the total economy.

The most commonly used measure is output per man-hour of work. This has averaged 2.4 per cent a year over the past 50 years and three per cent since World War II.

Yet in the 15 years since 1947, wages have risen almost twice as fast as output per man-hour. While the latter has gone up about 55 per cent for the total private economy, average gross hourly earnings have risen 124 per cent on Class 1 railroads, 110 per cent in construction, 100 per cent in communications, 97 per cent in bituminous coal mining, 91 per cent in wholesale trade and 90 per cent in retail trade. In all manufacturing, the rise has been 93 per cent. Fringe benefit costs are not included.

Construction pay

In the construction industry, where the wage rise since the war has been exactly double the economy's rise in productivity, the Administration is supporting legislation to force contractors to pay prevailing fringe benefits if they want to do construction in which the federal government has any interest.

This legislation, if passed, could increase housing labor costs as much as 20 per cent in many areas, the National Association of Home Builders warned Congress.

As the Davis-Bacon prevailing wage law now stands, contractors must pay at least the wages prevailing in the area on such projects as federal buildings, air fields and bases, dams, power houses, canals, dredging of rivers and harbors, post offices, and veterans' hospitals.

By separate legislation, these requirements are

usually extended to cover construction which is federally aided through grants, loans, insurance or guarantees, as on airport, hospital, school, water pollution, highway, housing and college dormitory programs in which the government participates.

The prevailing wage for as many as 19 building trades crafts is determined in each area for each construction project by the U. S. Department of Labor. These rates often are the union rates, and are among the highest, if not the highest, in the country.

Just a few weeks ago, for example, the Labor Department decided that these hourly rates must be paid on the construction of a 150-unit apartment building in the New York City area which is insured by the Federal Housing Administration:

Crane operator, \$6.10; iron workers, \$5.25; boiler-makers and bricklayers, \$5.20; carpenters, \$4.87; electricians, \$4.71, and common labor, \$3.75.

A bill which would require contractors to pay prevailing fringe benefits (or their equivalent in cash) in addition to the specified hourly wages has been approved by the House Labor Committee. Rep. James Roosevelt, California Democrat, sponsored it.

A companion bill would amend the Eight-Hour Day Law to require time-and-a-half pay after 40 hours a week as well as eight hours a day on any construction which is for the federal government or in which the government plays a part through loans, grants, insurance or guarantees.

The underlying purpose of the bill seems to be to help the building trades unions and unionized contractors meet competition from nonunion contractors. This was pointed out by G. R. Collins, president of the National Constructors Association. He testified that the bill would stabilize the construction industry and enable contractors who paid fringe benefits to compete effectively in bidding for jobs against non-union contractors who don't have that additional wage cost.

Secretary of Labor Arthur J. Goldberg, former union attorney, told the Subcommittee that welfare and pension plans had become a significant and important part of the construction industry wage structure and that legislation to protect prevailing wage conditions could no longer be effective without including them.

Most industry and business groups oppose the Davis-Bacon amendments.

Lee E. Knack of Boise, Idaho, testifying for the Chamber of Commerce of the United States, said the fringe benefits amendment would be confusing and difficult to administer and would increase the cost of government.

Mr. Knack, director of labor relations for Morrison-Knudsen Company, general contractors, charged that the Labor Department sets rates improperly and too high. He urged that the Davis-Bacon law be repealed as an outmoded relic of the depression (it was enacted in 1931). If this is not done, he said, Congress should investigate the Department's handling of the law and (continued on page 68)

These are the minimum hourly wages, by industries, which employers must pay for work on federal supply contracts:

\$1.15 to \$2.84½ ¹	Bituminous coal
\$1.80 ²	Fabricated structural steel
\$1.65 to \$1.80	Machine tools
\$1.42 to \$1.80	Chemical products
\$1.77	Tires
\$1.54 to \$1.75	Paper and pulp
\$1.68	Evaporated milk
\$1.55	Office machines
\$1.20 to \$1.53	Paper containers
\$1.52	Photographic equipment
\$1.50	Soap
\$1.50	Paint and varnish
\$1.45	Drugs and medicines
\$1.43	Metal business furniture
\$1.35 to \$1.42	Electronic tubes
\$1.15 to \$1.40	Basic chemicals
\$1.39	Business forms
\$1.15 to \$1.35	Batteries
\$1.30	Flour
\$1.26	Electric lamps
\$1.25	Surgical instruments
\$1.23	Electronic parts
\$1.15 to \$1.23	Iron and steel
\$1.20	Scientific instruments
\$1.15 to \$1.20	Ammunition and explosives
\$1.15 to \$1.20	Woolen and worsted cloth

¹ A range of minimum rates indicates there are different minimums for different branches of the industry or parts of the country.

² Tentative.

A LOOK AHEAD by the staff of the

High farm output likely

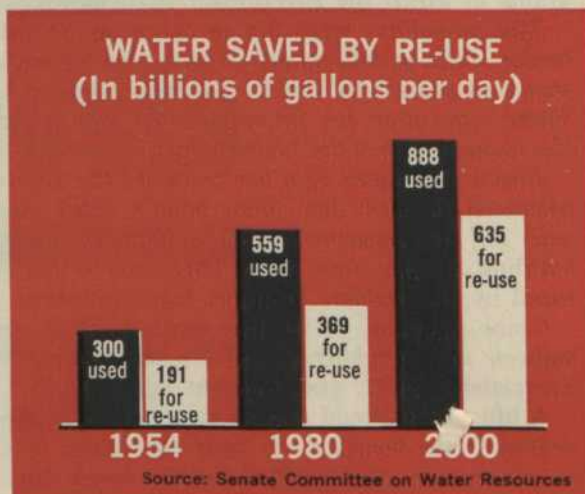
(Agriculture)

Budget balance questioned

(Government spending)

No water crisis in sight

(Natural resources)



AGRICULTURE

A record in meat production will bring high farm output this year in spite of a new low in planted acres.

Farmers intend to plant 306 million acres for harvest in 1962, according to the U. S. Department of Agriculture. This would be the lowest on record.

The persistent upward trend in yields per acre could still mean a near-record output for all crops. Last year's record low acreage came within two per cent of matching the record in crop production.

The Agriculture Department estimates that, with rising cattle and hog numbers, expanded marketings will provide an increase in red meat production about equal to the rate of population growth.

Output of dairy products and eggs and continued heavy broiler marketings are expected but turkeys will decline 12 per cent.

CONSTRUCTION

New proposals for major federal spending on local community development operations are now before Congress. One administration proposal calls for a \$500 million program of federal grants for local mass transportation systems. Another would increase federal grants for local open space land acquisitions by \$50 million.

These and other community development and housing proposals would follow the same patterns of matching grants and direct loans

used for years in similar programs. Answers to several questions would help Congress evaluate such programs: 1. Do these programs encourage misallocations of local tax funds? 2. What are the true federal costs, including such items as overhead attributable to loan portfolio development and management, and costs generated by differences in actual federal borrowing and lending rates? 3. Do the programs as a whole impede local community growth and progress?

CREDIT & FINANCE

The Small Business Administration has run out of money—temporarily. Statutory limitations on the amount the agency may lend from its revolving fund have almost been reached. Once again the SBA is requesting increased authorization from Congress.

The Banking and Currency Committees in both Senate and House must authorize increases before the Appropriations Committees can consider funds exceeding the ceiling. The SBA thus must plead its case before these four committees.

Sen. A. Willis Robertson, Virginia Democrat, and Congressman Wright Patman, Texas Democrat, have introduced bills which would remove the ceiling-control authority of the Banking and Currency Committees, leaving only the Appropriations Committee to approve SBA requests for increased funds.

Washington observers doubt that these bills will be approved.

FOREIGN TRADE

The notion that the proposed Trade Expansion Act includes a proposal that the United States join the European Common Market is a misconception. This has never been seriously proposed.

Concern stems from the fact that the United States is threatened with economic isolation by reason of emerging trade blocs around the world.

The proposed Trade Expansion Act would provide authority under which the United States could bargain for lower barriers against U. S. products destined for the Common Market. The possibility that the Common Market in time may be expanded increases the importance of such authority.

The prospect that Britain may be admitted to the Common Market carries with it the possibility that the commonwealth might be granted comparable or improved outlets for its goods in Europe. Arrangements might also be expected to enable Denmark, Norway, and the Republic of Ireland to join, with Austria, Sweden, Switzerland, and Portugal functioning as associates.

The Trade Expansion Act proposal, now in committee, is expected to pass Congress in somewhat modified form.

GOVERNMENT SPENDING

With the end of fiscal 1962 fast approaching, the 1963 budgetary outlook is causing controversy in

Chamber of Commerce of the United States

Congress. The Administration continues to express optimism on the revenue outlook and is publicly hopeful for a balanced 1963 budget.

However, some administration officials point out that the 1963 budget balance depends on several assumptions—most of them beyond their direct control. Significantly, Pentagon officials are reminding Congress that the defense budget is geared to a major let-up in the Berlin situation. If this does not materialize, the argument goes, increased defense spending will be required.

As to revenue, the staff of the Senate-House Internal Revenue Taxation Committee estimates that the Administration will collect far less in taxes than the budget calls for and—with no increase in spending—the 1963 budget will run a deficit of nearly \$5 billion.

LABOR

Most candidates in the 1962 elections will face two key labor law issues.

Legislative specialists for organized labor have begun to lay a foundation for an attempt to knock out all state right-to-work laws in one sweep by persuading Congress to repeal Section 14 (b) of the Taft-Hartley Act. Candidates will be asked to take a stand on whether they will favor a move to repeal this section.

Common situs secondary boycotts to permit unlimited boycotting at all construction sites is the second major labor issue. The AFL building trades unions will seek to test a candidate's political value by his views on this issue. The CIO industrial unions, however, oppose this special privilege for the construction unions. They want complete secondary boycott rights.

Unless the two labor wings can settle their disagreement, the candidate who wants union election money will have to tread lightly.

MARKETING

The Federal Trade Commission has fashioned a new technique: public investigatory hearings. In the past, the FTC has held its fact-searching hearings in private. But

in its recent inquiry into retail milk prices in Indianapolis, the agency ordered three food chains and six local supermarkets to testify and submit cost-price records in public. None of the firms was charged with any violation of law.

Also, the rigid hearing rules prohibited company lawyers from:

1. Objecting to questions, cross-examining or submitting evidence.
2. Interrupting or objecting to proceedings—at the risk of disbarment from practice before FTC.

If FTC continues this practice—and it has announced its intention to do so—business firms of all industries could be ordered to disclose confidential information at public investigational hearings.

The only likely deterrent to this form of administrative inquisition would be pressure from Congress.

NATURAL RESOURCES

Statistics published by the U.S. Department of Commerce suggest that predictions of demands for industrial water published by the Senate Select Committee on Water Resources in 1961 may have to be modified appreciably. Those predictions were that water needs would soon reach a critical point in relation to supply.

Procedures for recirculation and re-use of water being used and developed by industry are changing the outlook.

In industrial plants using 20 million gallons of water or more a year, for example, the 1959 withdrawals would have been 119 per cent greater than they actually were if recirculation and re-use had not been employed.

Between 1954 and 1959, total water use rose 53 per cent but the new water intake increased only about five per cent, owing to water conservation measures.

Water research studies, involving agricultural and industrial use, now under way indicate that additional savings in water use and demand will soon be forthcoming.

TAXATION

Senate Finance Committee hearings on the controversial tax bill are scheduled to end early this

month. During five weeks of hearings, nearly 300 witnesses presented views. The majority of them took issue with the Administration's proposals.

The bill is scheduled for Senate action in May. The Finance Committee is expected to report a bill differing in many aspects from the House version. Further revision will be attempted on the Senate floor. Many senators have indicated they'll offer amendments—notably on the tax credit, foreign income and deductions for legislative expenses.

The Senate in the past has passed legislation repealing the tax credit and allowance on dividend income. This action has been voided in conference with the House. Similar efforts are expected to come from the Senate this year with the same result. The Senate may also raise questions on stock options and depletion allowances.

Unlike the House, the Senate permits unrestricted floor amendment and unlimited debate of a committee-reported tax bill.

TRANSPORTATION

The seizure of privately owned transit facilities by the mayors of New York and Boston raises some serious questions of constitutional legality. If the courts uphold the seizure, privately owned transit facilities could disappear.

The cost of transit labor and materials is increasing and many local regulatory bodies are resisting management's efforts to raise fares and consolidate routes.

The Housing Act of 1961 included \$42.5 million in loans and grants for urban transportation aid. This program is due to expire in December.

Now the proponents of federal aid are urging a more permanent program which could cost an estimated \$2.5 billion over the next ten years. President Kennedy recommended a \$500 million grant program spread over three years.

Meanwhile many communities have overcome their transportation problems with their own resources. These successes raise the question: How necessary is the federal aid approach?

trade position. Modernization of U. S. manufacturing equipment to match or surpass the best of Europe's new plants is, in Mr. Plumley's opinion, an imperative national necessity. It can be achieved, he said, only through new tax laws.

"Business must be permitted and encouraged to charge off machinery in relevance to modern economic life rather than leaning so heavily on its physical life."

The administration bill now in Congress which provides a seven per cent tax credit for new investment in plant and equipment is "entirely inadequate" to accomplish this purpose, he said, and may do more harm than good by deluding people into thinking that the problem has been effectively met.

"This is a poultice, not a cure. We should get at the root of the problem now by revising the basic depreciation laws. To be competitive in the world market, we need depreciation laws to allow business about \$3.5 billion a year in tax write-offs for new capital goods. The proposed seven per cent credit will do only about one third of the job."

Another tax reform of cardinal importance, he noted, is a reduction of the steeply progressive rates in

the upper brackets of the individual income tax.

"The high upper bracket rates yield little revenue, generate pressures for special exemptions, and make an annual shameful struggle for tax avoidance if not actual evasion," he said. "This steep graduation inhibits investment, destroys initiative in taking the added responsibilities of new jobs, and generally acts as an economic depressant. If we reduced all brackets over 60 per cent down to that figure, the loss would be only three fourths of one per cent of the total raised by the individual income tax."

One reason why needed tax reforms have been slow in coming, Mr. Plumley believes, is that many Americans think of them as a sop to business rather than a contribution to the nation's economic strength and welfare.

"I don't believe the average Americans sees the correlation between revision of tax laws which benefit business and the creation and sustaining of jobs," he said.

He hopes to do something about this during his year as president of the Chamber of Commerce.

Serving as a spokesman for the business community will be no novelty to the urbane, gray-haired New Englander. He has been a Chamber director since 1956, and a vice president since 1960. Last year he

was chairman of the important Policy Committee.

Mr. Plumley neither thinks nor speaks in clichés, and his carefully considered views on some questions of public policy may come as a shock to those who have a stereotyped conception that the Chamber of Commerce president must be a doctrinaire conservative.

He approves heartily, for example, of the heavy new emphasis which the Kennedy Administration has been placing on strengthening America's conventional arms to supplement its nuclear power.

"By costly experience," he said, "we have learned that so-called brush fires can have many of the destructive effects of a general conflagration. Conventional arms, backed by nuclear potential, are the means of containing, preventing or stopping such small-scale wars. Our present Administration has been doing a commendable job in building up our ability to cope with a variety of military challenges."

He also believes wholeheartedly in foreign aid—including, or perhaps especially, economic aid to underdeveloped countries.

He acknowledges there have been some dismal failures in foreign aid programs, as well as brilliant successes such as the Marshall Plan. But this is to be expected because of the complexity of the task.

"As a manager, I can see how complicated a job of planning and administration is involved in projecting an effective economic development program, and I'm not eager to criticize the people who are doing it when things don't always work out well," he said. "It takes a great deal of skill, understanding and patience."

He hopes government aid administrators have learned, however, that "simply pouring money" into an underdeveloped country is not the answer. Nor can anything worth while be achieved by encouraging the desire of underdeveloped countries for such status symbols as their own steel mills, when they really need other things first.

"We have to start economic development, it seems to me, with modest things that people can get their arms around and handle locally, so they can learn skills from experience. It would be better in some areas for us to show them how to run a chicken farm on their own, rather than build a steel mill which could be operated only with outside help."

"By starting with the simpler projects, you get the sociological

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Regulators seek unprecedented weapon

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Nation's Business



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Good cost news. The Hughes 269A costs dramatically less to buy and run than former helicopters. Direct operating costs: 13¢ a mile. Price: \$22,500 (that's half or less than others). And simple design reduces maintenance.

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MANAGEMENT

continued

change, the self-education of the people, which must come about before a country is ready for industrialization on a large scale. If you try to do it the other way, an awful lot of the aid is likely to be netted off by a little group at the top."

On the matter of aiding underdeveloped countries, Mr. Plumley speaks against a background of extensive personal experience. His insurance firm has invested in a number of economic development projects in Puerto Rico, and they have turned out well.

Mr. Plumley regards the new Foreign Credit Insurance Association, formed last November, as a pioneering step toward encouraging further efforts by private American enterprise in helping underdeveloped countries. The association is a consortium of U. S. insurance companies which provide credit insurance for exporters. Fifty per cent of the nonpolitical risk is taken by the private companies, and an equal amount by the federal government, which also assumes 100 per cent of the risk from currency devaluation, nationalization and war.

"Credit is the great need in the underdeveloped countries," he pointed out. "One businessman I met in South America last year told me that he'd gladly pay a premium of 25 per cent or more on U. S. goods if he could buy them on long-term credit. In one country the prime bank rate for short-term commercial loans was 22 per cent. How can a business operate when credit is that scarce and costly?"

He deplores the popular tendency to depict foreign aid primarily as a bulwark against communism. He would prefer to accent the positive reasons for aiding the economic expansion of underdeveloped countries.

"It will bring about higher living standards, greater purchasing power, improved markets for our goods and services, and a more stable world situation," he said. "All this is apart from anything the Soviets are trying to do. Outbidding them in aid programs begets giveaways instead of sound development."

In general, he feels that Americans should avoid a sterile preoccupation with anticommunism as such, and concentrate instead on making their own free system work at home and abroad.

"I believe," he said, "that the American capitalistic free enterprise system has proved itself as



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Latest USED CAR TRADE-IN* figures show that Chevrolet's traditionally high resale value continues to top the field. Recent model Chevrolets are bringing considerably more money than comparable competitive models. This can mean sizable savings that will look mighty good on those year-end reports. And you'll save more money on Chevrolet's low maintenance and upkeep. Reasons behind Chevrolet's higher resale value: solid-built Body by Fisher; big air-vented Safety-Master brakes with bonded linings

CHEVROLET

for longer wear; Full Coil springs that never need servicing; plus scores of other durability features designed to keep your fleet out of the shop and on the road. Your business will profit again by the way Chevrolet coaxes extra miles out of a gallon. Get the complete facts from your dealer. He will show you in black and white how you'll be *money ahead all the way* by investing in America's biggest fleet seller. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.

*Source: Automotive Market Report.

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Dodge marketing services can make a major contribution to the growth and earnings of your firm. They help you out-manage your competitors, trim sales costs, concentrate on just the business you want. For instance: every day, Dodge Reports will give your representatives advance information on new projects of the type that can use your products — in just the areas you cover. Result: You cut selling or bidding costs by concentrating sales effort where it's most likely to pay off. And Dodge Construction Statistics summarize monthly the amount of new construction you *could* be selling. They help you realistically measure and control your sales effectiveness, assist you to achieve maximum market penetration. Send for your free copy of this brochure today.



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MANAGEMENT

continued

the creator and sustainer of the finest standard of living enjoyed by any people in history.

"This is what we're all trying to preserve. While I respect the sincere patriotic impulses of people who feel that our free system is threatened by a domestic communist conspiracy, I cannot agree that the primary menace is either internal communism or external communism.

"The great danger lies in the failure of our free society to make its benefits adaptable and workable for the majority of the world.

"This is the supreme challenge, and opportunity which we face today: learning how to apply, on an international scale, the principles of economic and political freedom that have worked so well in America."

Ladd Plumley is a native of Waterbury, Conn. His father was a General Motors executive. He was educated at two of New England's finest schools, Hotchkiss and Williams. As the smallest of four brothers, he developed early the fiercely competitive instinct which is still one of his most outstanding traits.

He began his insurance career by working during a summer vacation from college as an \$8 a week office boy for the Travelers Companies. After graduation, he moved into a somewhat better-paying position with the same organization. By the outbreak of World War II he was assistant superintendent of group insurance sales for Travelers.

During the war, as an army officer stationed in Washington, he had charge of the vast National Service Life Insurance program—the GI insurance policies which could be purchased by every man and woman in uniform.

He was mustered out of the service just at the time that State Mutual was scouting around for an executive who knew something about group insurance—a new field for the Worcester company. Colonel Plumley took the job, and proved himself such a capable manager that within six years he was elected president of the company.

Under Mr. Plumley's leadership, State Mutual has grown from a respected medium-sized company into one of the big boys of an industry which runs to giants. It now has well over \$3 billion worth of insurance in force, or about five times as much as it had when Mr. Plum-

ley came into the company to launch its highly successful group operations. Last year its total life insurance sales were the largest, its dividends the biggest, and its return on assets the highest in the company's history.

Mr. Plumley can afford to take time for such demanding civic duties as the Chamber presidency because a good executive development program has given State Mutual management strength in depth. He keeps in his desk a color-coded organizational chart which shows him at a glance how long each key executive has to serve before retirement. Men within five years of retirement are shown in red, those with five to 10 years to serve are in yellow, and so on. Another coded entry shows how each subordinate is currently rated by an appraisal panel in terms of promotability.

The hallmarks of creative management can be seen even in the architectural design of the company's marble-and-granite headquarters building, which is located on a broad suburban tract between two public parks. All of the executive offices are clustered in a management core at the heart of the building, with private elevators providing quick movement from one floor to another. The huge clerical and accounting offices are scattered around the building's perimeter.

Mr. Plumley's mahogany-paneled suite on the fifth floor is at the pinnacle of the management core and has a majestic view of the Massachusetts hills. Near its entrance is a glass-enclosed observatory which is filled with flowers the year round.

Growing flowers is one of his hobbies. He pursues it with the same sense of urgency which characterizes his approach to business problems. His executive associates testify, with a slightly drawn look, that he shows up at the office seven days a week when he is in Worcester, and is likely to telephone department heads at home late at night to inquire about some problem on which he's still working.

"Whatever he does, he wants to succeed big," says one associate.

"He can't bear to be second-rate in anything," agrees Mrs. Plumley.

In a greenhouse attached to his three-story stucco home, Mr. Plumley experiments with new varieties of iris. His flowers have won a drawer full of awards, he has developed several new hybrids, including one called "First Lady Pink."

This one was named in honor of
(continued on page 53)



What does the "X" make this new REMINGTON adder?

Almost a calculator!

All 10-keyers add fast.

This REMINGTON adder subtracts and multiplies just as quick — and even lets you divide without using reciprocal tables.

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You've the net (\$106.25) and the discount (\$18.75).

And you never re-entered, because the REMINGTON "X" bar held the \$125.00 through the complete operation.

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FOR A DEMONSTRATION, CALL YOUR NEARBY REMINGTON OFFICE OR OFFICE MACHINES DEALER. YOUR CHOICE OF MANY CAPACITIES

MEMO

From: R. E. Johnson, President
To: All Rock Island personnel



Subject: Improved services in 1962 and the future through damage-free shipments

At the beginning of 1962, President R. E. Johnson issued a special directive to all Rock Island railroad personnel relative to the damage-free handling of freight.

Excerpts from that memorandum are reproduced here in the belief shippers will find it of interest, for it demonstrates that the Rock Island is making a conscientious effort to provide ever-improving service.

In citing improved service measures already initiated, Mr. Johnson listed electronically controlled yards, special-device cars, new types of dunnage, improved freight stations, new types of shock-absorbing devices, faster freight train schedules, new piggyback and container devices, and new approaches to competitive rate making.

"Now," he writes, "we should center our attention on an additional, and vital, ingredient: Damage-Free Handling. I'm asking all of you for special effort in 1962 and succeeding years."

Emphasizing that safe handling is a cooperative effort, Mr. Johnson listed the following:

Local switching crews save freight from injury by using the "soft touch" in picking up, setting out, and spotting cars.

Road crews help by their effort to prevent excessive slack action and care in picking up and setting out cars.

Yard clerks help by calling attention to unusually fragile or valuable loads and other types of shipments needing special care.

Car inspectors help by making sure that empties are fit for their loads and open top loads are securely anchored.

Maintenance-of-way forces help by their care in correcting faulty switches, serious track defects and other conditions that might lead to derailment and damage.

Yardmasters help by preventing the switching of excessively long cuts of cars or any other practice that causes undue slack action, hard impact and freight damage.

Freight house personnel help by their care in trucking, stowing and bracing freight.

Freight clerks help by their care in routing shipments accurately to prevent unnecessary hauling, interchanging and switching.

Freight agents and representatives help by helping shippers improve their loading methods.

"It's clear," Mr. Johnson concludes, "that this must be a team effort. Every Rock Islander's help is needed to insure the best possible service to our customers."



ROCK ISLAND LINES

The railroad of planned progress
...geared to the nation's future
Chicago 5

PERSONAL OUTLOOK

Skills grow with illness

A major medical catastrophe may make you a better executive.

This is the opinion of Dr. Seymour M. Farber, assistant dean of the University of California's San Francisco Medical Center.

Dr. Farber says that men who go back to their jobs after a heart attack or other major illness often have gained greater insight into themselves and their fellow executives.

They are able to direct their time and efforts more effectively, concentrating on essentials and working more smoothly with colleagues.

During their enforced rest, Dr. Farber says, these men have had a chance to crystallize their ideas and place themselves and their work in perspective.

To maintain their confidence and sense of reality, they have spent much of their idle time thinking about returning to their company and how they could handle their job and other people with greater skill.

In most cases, Dr. Farber concludes, their companies report that such men are of far greater value after their medical experience than before.

Watch out for double domicile

If you have a summer home in another state—or plan to buy one—you may find both states claiming you as a taxpayer.

Real estate, of course, is taxed only in the

state where it is located. Personal property and income are another matter, however.

The problem is particularly likely to come up after your death, when estate taxes are assessed.

Best chance of avoiding double taxation is to keep as many indications of domicile as possible in one state.

This would include:

Where you vote.

Where you perform your work.

Where your car is registered and driver's license issued.

What address you list on official documents.

How many months of the year you spend in a particular state.

How to get better schools

The education of your children or grandchildren is a matter of vital concern.

Before you can work intelligently toward improving the public schools in your community, you will need to make an assessment of their present quality.

Here are some yardsticks suggested by Dr. James B. Conant, president emeritus of Harvard University and director of an intensive study of our educational system:

Check on the minimum requirements for high school graduation. Dr. Conant recommends at least four years of English, three of social studies, one each of mathematics and natural science.

Find out whether talented students—those

PERSONAL OUTLOOK

who would rank in the top 15 to 20 per cent of the national high school population—are electing a fuller academic program.

Such a program should include, Dr. Conant says, four years of English, three of social studies (with two in history), three of science, four of mathematics, and four of one foreign language.

To determine if students are taking courses appropriate to their ability, you can urge your school officials to make an academic inventory of every graduating class.

Here each student's actual program is compared with his or her academic potential as shown by scholastic aptitude tests.

The results will indicate whether better counseling for students is needed.

Swimming, anyone?

Your swimming season can be lengthened—if you have your own pool or plan to build one—by adding an enclosure in spring and fall.

They're available in inflatable models or with rigid frames. Installing a water heater will provide warmth inside the enclosure.

How much time and money should maintenance of a personal pool require?

About one and one half to four hours per week, in season, and less than \$200 yearly, a recent survey by the National Swimming Pool Institute indicates.

You can make your congressman listen

What's the best way to present your views to your senator or congressman?

A thoughtfully written letter or a long distance telephone call will probably receive the most careful attention.

In either case, present facts to back up your opinions. Show how the proposed legislation would affect you, your business, community and state.

More and more communications are pouring into legislators' offices.

If yours makes a genuine contribution to his knowledge, it'll get your legislator's personal consideration.

Another useful technique, often overlooked, is to transmit your views through a local friend or associate of your representative. Here you're almost sure to get his ear.

Don't forget that your legislators will be home after Congress adjourns, available for personal appointments.

Check your paintings' value

Regular reappraisal of your art works can save money for you.

Today's art market sees many rapid and extreme changes in value.

Some of the paintings of the late contemporary artist Jackson Pollock, for example, are now worth as much as 100 times what they were 10 years ago.

Though bought for enjoyment, art often represents a sizable investment.

Insurance based on obsolete valuations might well prove inadequate in case of loss.

The director or curator of your local art museum can tell you where to go for a reliable appraisal.



THE BLUE RIBBON BUILDING OF THE YEAR



All-new Inland Mark II Slope-Beam Buildings

Your new building with the Mark II air of prestige only looks expensive. For here is a way to achieve beauty, quality, and durability with a substantial saving in capital investment.

Unique pre-engineered construction concepts reduce the cost of materials and erection. With these savings, you get bonuses of beauty usually associated only with custom design.

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Widest selection of window arrangements offered in the pre-engineered industry — in new, smart styling.

Colorful Inland catalog shows how the Mark II Slope-Beam structure adapts to a wide variety of requirements. Send coupon for your copy. Do it today.

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offering versatility in color
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All-Steel

ALL-STEEL EQUIPMENT INC.
Aurora  Illinois

MANAGEMENT

continued from page 46

Mrs. Mamie Eisenhower's inaugural gown, and is now proudly planted at the Eisenhower farm.

His passion for perfection extends even to the family dog, a handsome Scottish terrier named Jock. Jock has won a large number of blue ribbons, but to his master's sorrow, he has never acquired the right combination of points to be a full-fledged champion.

Mr. Plumley also likes golf (which he plays energetically and with a low handicap); billiards (he has a table in his basement); fishing and boating (on Lake Winnepegaukee, N. H., where he has a summer home); music (he is president of the Worcester Oratorio Society, noted for its annual Christmas season performance of Handel's *Messiah*); cards (expert at both bridge and poker); fine food and wine (he belongs to a gourmet society and has a superbly stocked wine cellar); and conversation.

In the latter, he displays a quick wit and an easy sense of humor which belie the "reserved" label which tradition hangs on New England financiers.

"The truth is," said one of his colleagues, in a Boston accent which may or may not have carried a slight tone of scandal, "Ladd Plumley is almost as gregarious as a Texan."

His wife, Christine, is distinguished in her own right. Before their marriage she was Dean of Nursing at the University of Southern California, and was listed in "Who's Who" as an outstanding contributor to nursing education in America. She has continued to be active in civic affairs, and is currently president of the Women's Fellowship of the Chestnut Street Congregational Church in Worcester, a director of the Memorial Hospital Aid Society, and a director of the Worcester County Festival Association.

Mrs. Plumley shares many of her husband's interests, including horticulture. She grows orchids rather than irises, however. She also likes boating and fishing, and is an excellent cook, adept at preparing the subtly sauced French dishes which her husband enjoys.

Mr. Plumley has two married daughters, Mrs. Nancy Phelps Ljungberg of Holden, Mass., and Mrs. Susan Winslow Arruda of Waltham, Mass., and three grandchildren.—LOUIS CASSELS

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scale
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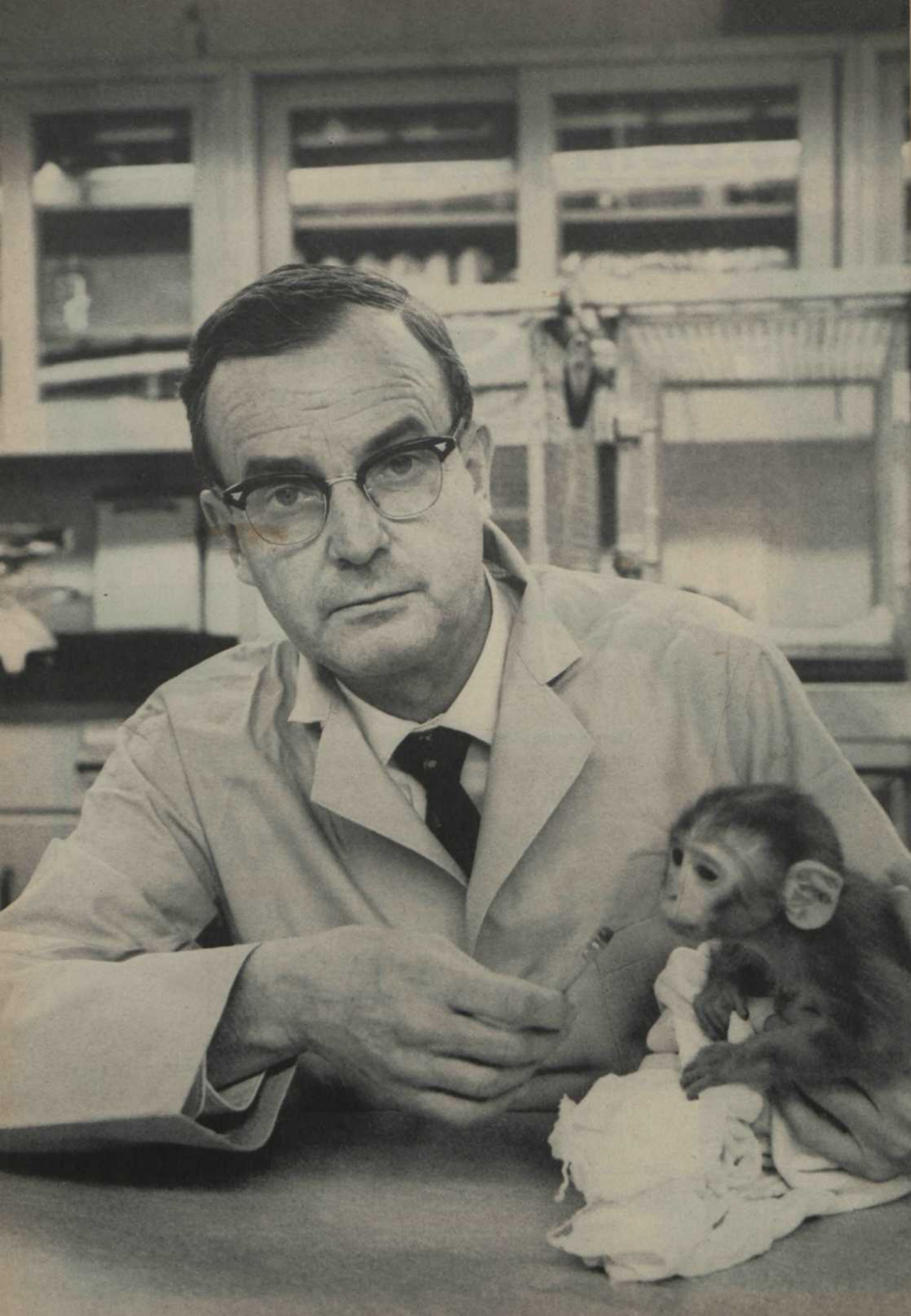
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QUALITIES OF VICTORY • PART 6

Our heritage has given us the strengths to defy tyranny, conquer a continent, build a nation. In these qualities we find the power to win the cold war—or the hot. This is the sixth in a series of articles by nationally prominent men describing these qualities

CURIOSITY

BY HARRY F. HARLOW

CURIOSITY is an intellectual trait that distinguishes man from all subhuman forms as clearly and completely as does thinking.

In the race for survival today, we need to encourage and develop the quality of curiosity and to put it to constructive use. We are making progress, but must do more.

All mammals, and even the lowly earthworm, display at least rudiments of curiosity. At the mammalian level, exploration is greatly enhanced and there appears considerable manipulation for the sake of manipulating, frequently accompanied by destruction

Dr. Harry F. Harlow is an experimental psychologist and anthropologist with the University of Wisconsin. He founded and is the director of the University's Primate Laboratory.

The American Psychological Association's Distinguished Scientist Award was presented to Dr. Harlow in 1960. He was the president of the Association in 1957-58.

From 1950 to 1952 Dr. Harlow was chief psychologist for the Army.

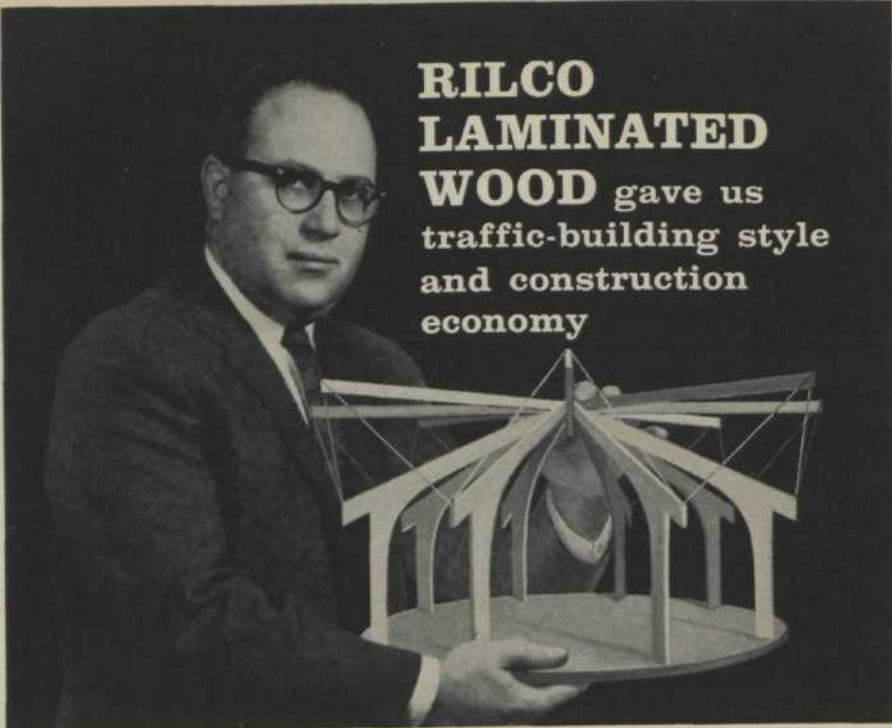
His writings have been widely published in scientific journals and books. Since 1950 he has been the editor of the "Journal of Comparative and Physiological Psychology."

for the sake of destroying. Thus, the pet cat toys with its mouse before it pounces and kills. The untrained dog may corner the rabbit and hold it at bay for some time before it strikes.

At their best, monkeys and apes, the animals closest to man, show traces of constructive curiosity. They have been observed to join sticks to make a pole for reaching, or to stack boxes for climbing to a suspended bait, but typically their curiosity is exhibited in taking apart, not putting together, and in throwing, not catching.

Man differs in having the capacity—but not always the desire—to display his curiosity in a constructive form. The history of civilization is the history of man's searching, discovering, building, and creating. Certainly man's initial conquests over his environment must have come more as a result of curiosity than concerted effort to solve problems. Prehistoric man no doubt watched the stars, the sun and the moon long before he used his observations, or even dreamed he could use his observations, to measure time and orient himself in space.

The Babylonians and the Egyptians, and their cultural heirs, the Greeks, not content to watch the stars and to navigate by them, searched for the master plan of the universe



RILCO LAMINATED WOOD gave us traffic-building style and construction economy

Martin Nosenchuk, Director of the Architectural Division of Rayco, Paramus, New Jersey, shows a structural model of the company's new store. Future outlets will be built of similar design. Rayco sells seat covers, convertible tops, B. F. Goodrich tires, mufflers, shock absorbers, safety belts, and auto accessories.



Rayco needed a distinctive building design . . . one that would create a focal point for customers at highway locations. Rilco laminated wood arches, beams and decking were a natural answer. This custom-fabricated structural system provided unlimited design possibilities, gave openness to the display area, and avoided bulky framing. The exposed wood decking functioned as a warm, beautifully-grained ceiling, eliminating further insulation. Erection was simple and fast, permitting stores to open for business with no delays. The result: Rilco laminated wood gave Rayco stores architectural beauty and construction economies that could not be duplicated by any other material. If you are planning a store, warehouse or manufacturing plant, look into the many advantages of the Rilco structural systems. To help you with specific plans, there's a Rilco field service engineer in your area. Write today for interesting Rilco ideas.

CURIOSITY

continued

and developed instruments and mathematical systems to aid their search for the ultimate explanation.

In recent times man's curiosity has led him on to conquer gravity, first with balloons, then with powered aircraft, now with rockets which promise ultimately to propel him through space to the very heavenly bodies which stirred the imagination of his forebears.

Where we stand

In the heritage of our nation there is a powerful drive to know, to explore, to experiment. Just as the child in his early and middle years displays a vigorous curiosity about all that surrounds him, so our young country has displayed vigorous curiosity in all aspects of living, learning, governing, and producing.

While the older world powers have tended to settle down to a complacent middle age, our country has, except for brief interludes of self-satisfaction, blazed new trails in manufacturing, transportation, and communication; science, the arts, and medicine; government, education, and international affairs.

In spite of a heritage that accepts curiosity as a desirable quality, we have not always rewarded it.

In fact, the only American of the past who has become an acknowledged sage because of his creative curiosity is Thomas Edison, and his death is too recent to assure that his image will survive.

That creative curiosity can be purposefully destroyed in this age of acceptance, even adulation, of science and scientists is apparent in the fate of a great many sciences and scientists in the Soviet Union. Like their fellow creators in letters, arts, and philosophy, they have been well received so long as their contributions have buttressed the political system. The creation of scientific machinery, particularly destructive machinery, has been rewarded with honor, prestige, and material comforts second only to those enjoyed by the political and military elite.

Unfortunately, the creatively curious must not question communistic doctrine.

Scientific genetics was blocked in Russia by the Lysenko doctrine of the inheritance of acquired characteristics, and scientists whose courage and morality forced them to deny that which was not



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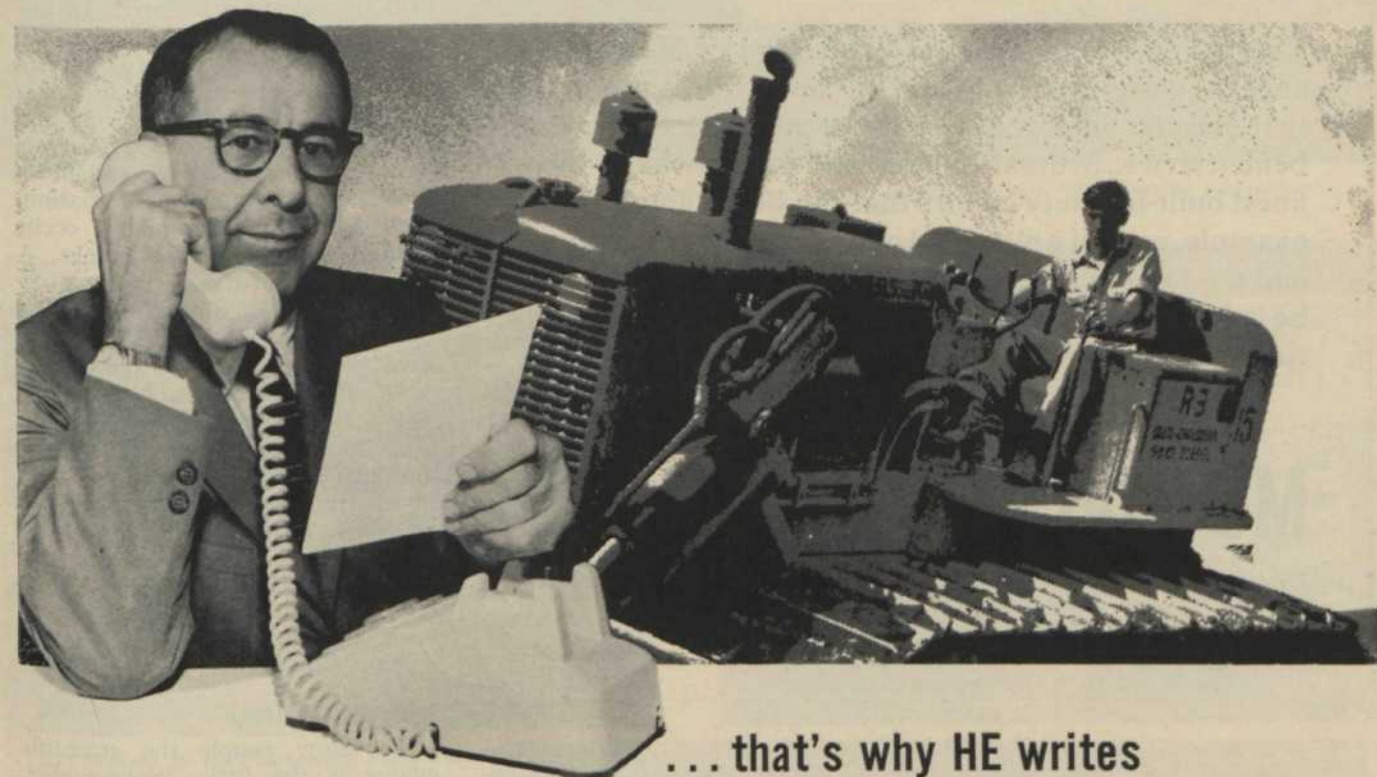
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true silently sleep in the Siberian wastelands.

The destruction of scientific morality is well illustrated by the discoveries of Russian scientists in the field of radiation research. In the period just after World War II, when America was developing and testing nuclear weapons and Russia had not yet achieved her first nuclear bomb, Russian physiologists were put to the task of investigating the effects of low levels of radiation, such as might presumably occur from fallout, on living beings. A large number of Russian reports appeared telling of dire effects.

Carefully conducted investigations throughout the Free World have failed to duplicate the Russian findings, and we can only conclude that the Russian reports were designed to serve the needs of communist propaganda at that particular time. Now that the Russians have fired the 50-megaton bomb, perhaps the Russian scientists have recanted their earlier findings. It is even possible that they have taken a long trip by train.

Why men achieve

To many people the scientific genius is the little, bespectacled, long-haired man in the Ivory Tower, logically planning step by step the perfect experiment which will open some physical or biological door. In actual fact, most—if not all—of those who are lost in thought in an Ivory Tower are lost forever.

The famous British neurophysiologist and Nobel Prize winner, Sir Henry Hallett Dale, has written an autobiography which is a classic in depicting the true ways creative curiosity operates. This man conducted a series of brilliant researches that went far in removing the mysteries that veiled the physiology and chemistry of the human nervous system. The story unfolds a tedious climb with many setbacks and many discouragements.

What causes a man like Dr. Dale to pursue his goals even though he may face failure more often than success? The answer most scientists give is a compelling curiosity to search for the answers and the overwhelming pleasure that comes from each fragment of success. The joy of discovery, once experienced, bolsters the desire to search and provides the courage to continue.

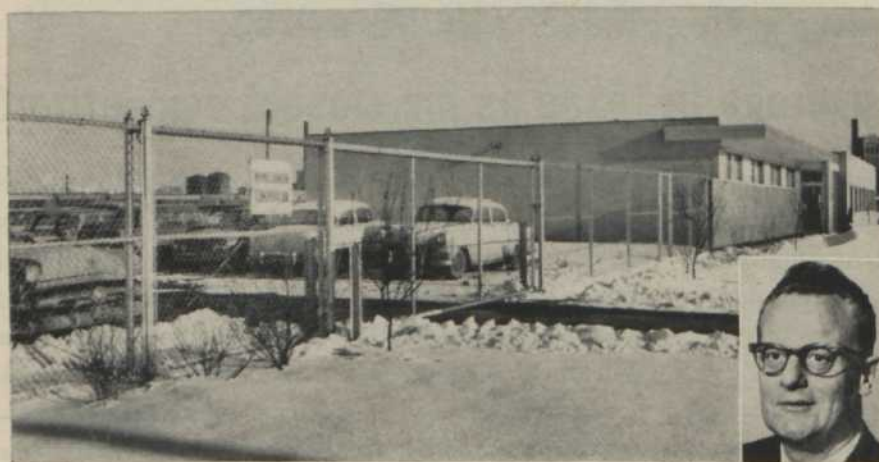
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The definition of what is the best kind of life insurance is clear and simple. You want the insurance that *remains* in force as long as possible for your beneficiaries. Mutual Benefit Life policies have the finest built-in safety factors that can be obtained. For example, even if a man paid only *one* annual premium and died *two* years later, his full insurance could still be in force at the time of his death. This is characteristic of many kinds of Mutual Benefit Life policies.

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At Hi-Ho, the stock clerks and customers keep out of each other's way. U-shaped gondolas are restocked from behind.



"Star" cluster of food gondolas radiate from store-center warehouse. Other merchandise shops are against outside walls.

Big-scale modern retailers like the scope and economy of Butler buildings

America's shopping centers and "supers" are the envy of the world. Our big-thinking retailers dare to do it new and differently. Case in point: the Hi-Ho Shopping Center in Puyallup, Washington, pictured above. Among the up-to-the-minute features are center-store food warehousing, with U-shaped, peninsular gondolas, stocked from behind. Another is the use of the heat extracted by the refrigeration machinery to heat the entire interior. Still another is the use of a Butler, pre-engineered, MRF building.

The advantages of the big, eye-catching MRF are in step with modern merchandising. Construction time is dramatically short. An early grand opening is an extra dividend in volume and profit.

Slender, space-saving steel interior columns may be

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But the biggest appeal of the Butler MRF is cost—an appealingly low first cost despite its unique benefits. Equally important, annual maintenance costs are among the lowest of any type of construction.

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CURIOSITY

continued

the young to accept the challenge to make future discoveries? There are a great many youths whom one could not possibly prevent, short of imprisonment or death, from devoting their lives to satisfying their curiosity. These are the heartiest, the rebels against the accepted, the self-confident.

These are the gifted youths who begin early to question and who in childhood and adolescence strike out to test the answers they are given and to find answers on their own. They are the hard core on whom we can depend for many advances of knowledge in the future. They will work though the material rewards be meager and though society be oblivious of their efforts. The pleasures of their discoveries will carry them through.

But these "naturals" are not enough to meet the demands of our complex, science-minded age. Fortunately, there is a potential supply that is larger than the irrepensible group and which can be developed and nurtured.

These are the intellectually gifted who do not early find challenge in their environments, or who do not acquire the qualities of courage and confidence to strike out on their own.

Many of them are trained in school systems having only a skeletal science program, and they leave school without ever having had a glimpse of scientific curiosity at work.

Of course, not all this potential can or should be tapped for scientific endeavors. The arts, the social sciences, government, and business and industry also need the creatively curious to further their causes and insure their progress. But a fair share needs to be recruited for science, an area which generally offers fewer material inducements than business and industry, and often the arts.

Government and industry are now doing much to help recruit scientists for the future. The National Science Foundation is engaged in a large-scale program to train science teachers in service so that they may better challenge children and youth to seek and discover. Boards of education have been revising their curricula to intensify science instruction from kindergarten through twelfth grade. Writers and publishers have been increasingly producing large num-

Advertiser: **Hertz System, Inc.**

Problem: **Reaching inexperienced travelers**

Solution: **National Yellow Pages Service advertising**



Company co-ordination. Mr. Petersen (right) and A. Gantner, Adv. Mgr., Rent A Car Division, review Hertz System's Yellow Pages ads for 1962.

Different-size ads for different directories. Ad size and ad message may be varied from directory to directory to fit each market.

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HERTZ
RENT A CAR

- Clean, perfectly conditioned cars
- Hertz low rates include gas, oil and insurance
- You need only your driver's license and identification
- Nationwide "Rent it here... Leave it there" service

YOUR PHONE NUMBER HERTZ RENT A CAR LICENSEE

NEW... CHEVROLET, OR OTHER FIVE, FULLY EQUIPPED CARS

HERTZ
RENT A CAR

YOUR PHONE NUMBER
and address here

HERTZ RENT A CAR LICENSEE

ASK ABOUT Nationwide "Rent it here... Leave it there" service

Continuous nation-wide advertising helps keep Hertz driving forward in the highly competitive automotive rental field. This includes newspaper, magazine and TV advertising... plus a new program of National Yellow Pages advertising in over 850 cities.

"We depend on National Yellow Pages Service to help develop our best market—any and all of the over 165 million Americans who aren't regular travelers and who'd look in the Yellow Pages when they want to rent a car," says R. Petersen, V.P. and General Mgr., Hertz Rent A Car Division.

With new National Yellow Pages Service, Hertz now runs *display advertising* that sells prospects on the benefits of renting from Hertz, and... *trade-mark listings* which tell people where local Hertz offices are located. And—no matter how many different directories Hertz uses, one contact, one contract, one monthly bill cover its *entire* National Yellow Pages Service program. Yes, the *entire* Hertz program of National Yellow Pages Service advertising is purchased from *one central point!*

Put this sales-completing combination of *selling* and *directional* advertising to work for *your* product or service. For information call your National Yellow Pages Service representative at your Bell Telephone Business Office.



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CURIOSITY

continued

bers of fascinating science books, many for beginning readers and at every reading level beyond.

The graded structure of many schools is undergoing change.

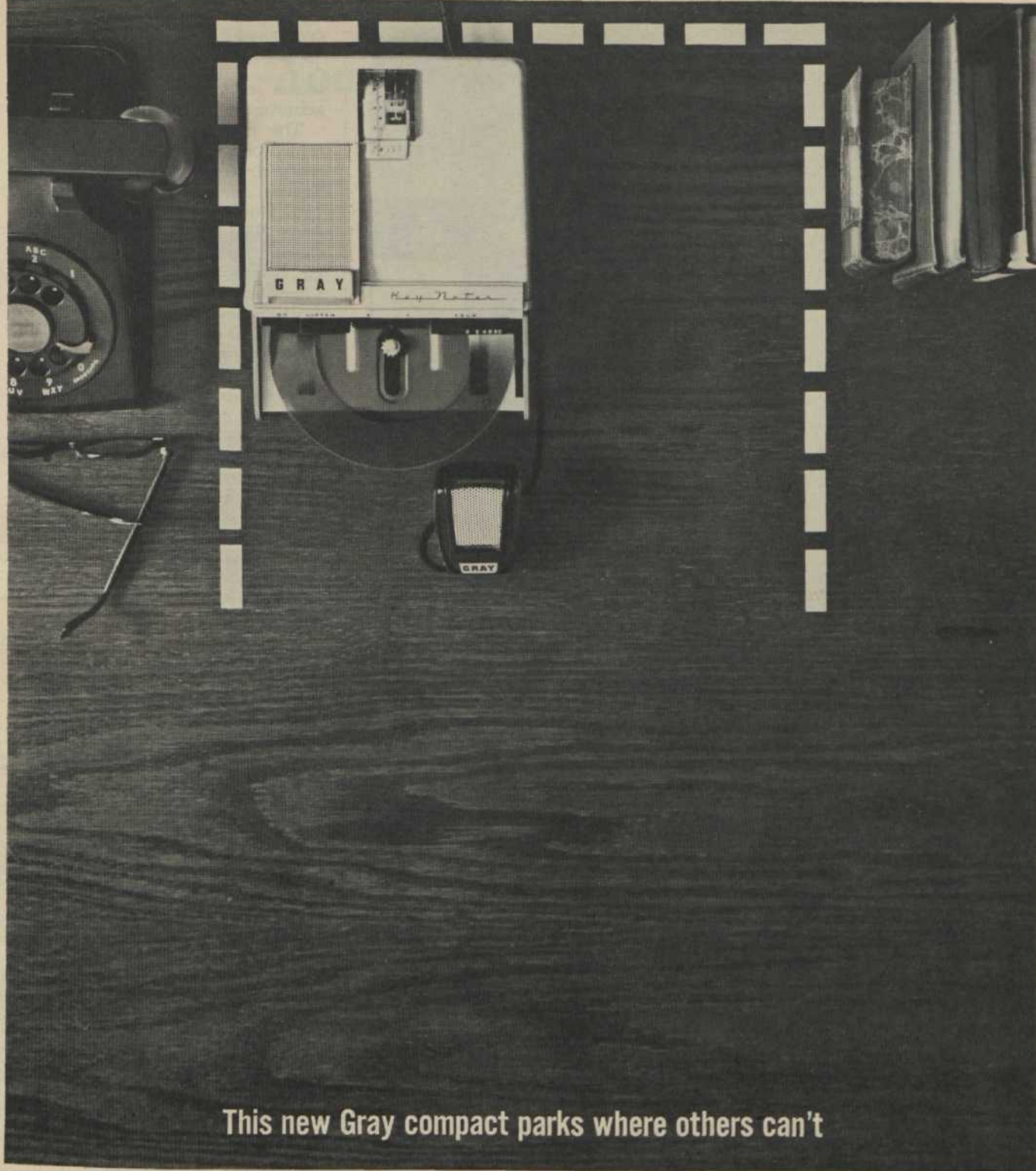
The gifted are being given opportunities through special classes to gain supplementary and enriched experiences of which many are creative in nature. Regional science fairs and the National Science Fair International, coordinated by Science Service, have done much to encourage able high school students in original projects.

Industry has accepted its responsibility. We have, for example, the annual Science Talent Search sponsored by Westinghouse Educational Foundation. Motivated students are doing creative research in larger numbers and with greater competence than the most optimistic promoters ever anticipated. College scholarships to aid the winners are growing in number, but the also-rans are reaping benefits, too. Their research experiences are stimulating some to go on to college (often with financial help coming at least in part because of their science achievements) who might not otherwise have entered or who might not otherwise have been interested enough to remain in school.

At the college and graduate level, scholarships, fellowships, and grants-in-aid are keeping promising researchers in training and in the laboratories. Many are from state or federal funds, and a great many are the gifts of business, industry, foundations, and private service groups and clubs. The Carnegie Foundation, the Rockefeller Foundation, and the Ford Foundation have been pioneers in supporting promising scientists and research programs. Countless large corporations regularly make extensive grants for training and research.

Financial support cannot stop here, however. Once the worker is trained, his work must be supported even though it offers no immediate promise of gain. There is still a lag between basic research discoveries and their application, a lesson industry has learned well, for more and more companies are sponsoring basic research in their own laboratories or in outside research organizations.

The great breakthroughs of the present are commonly from large laboratories or scientific institutes where the creative curiosity of



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CURIOSITY

continued

teams of workers is pooled to achieve the essential end results.

The Salk vaccine was only attained because of the previous basic research for which Dr. John F. Enders and his associates at Harvard University received the Nobel Prize. The final achievement of the vaccine was also a team effort, as Dr. Jonas Salk modestly attested. Likewise, each giant rocket is a multimillion dollar experiment in interstellar research, and each of these experiments results from the efforts of multiple laboratories.

Breakthrough research is expensive and it will become more expensive. It will only be possible in a country such as ours which has an economic system that can provide an adequate base. It is of vital importance that industry be given such support as to guarantee that its tools and machinery will not drift into obsolescence. It is important that industrial leaders and researchers be adequately recompensed and that our tax structure be such that incentives for creative curiosity are not denied.

It is also important that we modify our social climate so that we accept individualism and individual differences, respecting those who dare to challenge the old and traditional. Moreover, this tolerance must be exhibited by all adults who play a role in influencing the developing child and youth.

Nor can our schools afford to treat all children alike. Greater effort must be made to identify the gifted in the early school years. They must then be given special opportunities.

Creative curiosity is and will remain one of the great gifts of the human mind. As long as it is encouraged and supported it will lead Americans to unravel the mysteries of man himself and his social well-being. It will lead Americans to resolve the problems of medicine, both physical and mental, provide us with the fairy-tale machinery that will continue to raise our standard of living and, finally, enable us to look backward at the Russians from the distances of outer space.

END

REPRINTS of "Qualities of Victory, Part 6: Curiosity" may be obtained for 15 cents a copy or \$10.15 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance.

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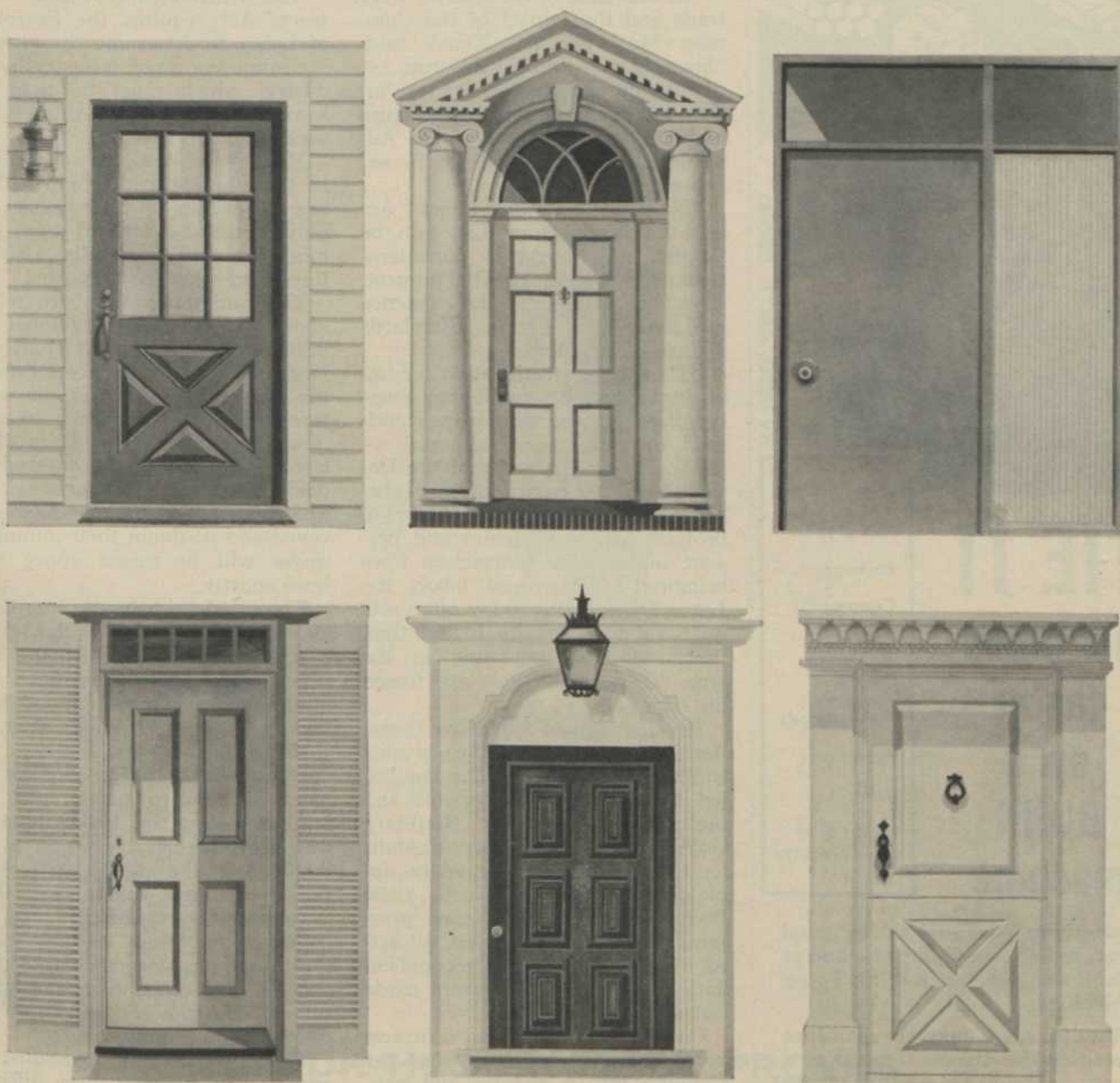
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FEDERAL WAGE PUSH

continued from page 39

provide for judicial review of the rates it sets.

"In this time of concern for freer trade and the impact of the Common Market," Mr. Knack said, "laws such as the Davis-Bacon Act disrupt our economic progress, inflate our wage and price structure and inhibit the efforts of the Administration to expand U. S. exports.

"Neither the Davis-Bacon Act nor the Eight Hour Law can be justified any longer by considerations affecting the public interest, especially in view of the existence of the Fair Labor Standards (Wage-Hour) Act.

"There is no justification for imposing different, conflicting, overlapping and expanding wage standards on American business."

Mr. Knack charged that the Davis-Bacon Act spurs inflation because, although it was passed to protect local wage scales and prevent out-of-town contractors from bringing in lower-cost labor, the Labor Department today often sets wage rates which are higher than those actually prevailing in the area. Thus, pay levels are forced up arbitrarily.

He also blamed the Davis-Bacon Act for some of the delays in missile base construction. The law has led to jurisdictional disputes and the appointment by Secretary Goldberg of an advisory committee to study how it should be applied to work at missile sites. Because of conflicting union pressure, the Secretary has not yet acted on the committee's recommendations, although they were made last August.

Contractors with union contracts usually pay 20 cents an hour per employe into a welfare and pension fund. Fred W. Heldenfels of Corpus Christi, Texas, testifying for the Associated General Contractors, attacked the Roosevelt bill as unfair to contractors who had their own private welfare program. They would not get credit for the cost of their benefits and would have to add 20 cents an hour to the prevailing wage determined by the Labor Department, he said.

Moreover, they would be at a disadvantage compared with unionized contractors who pay the 20 cents into a welfare fund because their 20 cents would be added to the wage rate, he added. If any overtime is worked, the rate on

which they would have to pay the time-and-a-half premium would be 20 cents higher, thus costing them an extra 10 cents.

Public contracts

The Walsh-Healey Public Contracts Act requires the Secretary of Labor to determine the prevailing minimum wage, industry by industry, which must be paid for work on government contracts for goods and services.

Employers must pay this rate to their lowest-paid employe. The average wages of their other employes, ranging upward from this minimum, will generally also be forced up when it is boosted.

The minimum wages are set in about 50 industries doing about \$20 billion of government business. Normally these rates are all above the general federal minimum wage level, but since the wage-hour minimum was raised from \$1 to \$1.15 last fall, only half the covered industries have minimums above \$1.15. The others are being resurveyed and no doubt their minimum wages will be raised above that level shortly.

The basic business complaint about administration of the law is that the method by which the Secretary of Labor determines the minimum wage results in an artificially higher minimum than is justified by the facts.

Businessmen charge that he injects artificial inflation into the minimum wage by the manner in which he selects the wages to be included in the survey, arrives at the "prevailing minimum," then sweetens the resulting figure by adding his estimate of how much the minimums have increased during the period between the wage survey and the determination of the prevailing minimum.

The effect of this, according to critics, is to make it more difficult for small businesses to compete for government work; to make the minimum rate more out of line in an industry which is depressed at the time of the wage survey, to increase the cost of the defense program unduly and to exert an inflationary thrust upon the economy.

The drug industry is an example of what can happen under the Walsh-Healey Act. This industry is being investigated by the government for allegedly high prices, control of patents and monopolistic practices.

Yet on Feb. 21 Secretary Goldberg raised the minimum wage which employers in this industry



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—or machined components produced in your plant if you're in manufacturing. Brass may cost a few cents more than competitive materials, but in terms of final value, it's a bargain. That's the kind of metal brass is. Look for it in the things you buy—use it in the things you make:

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FEDERAL WAGE PUSH

continued

must pay for work on drugs produced for government purchase from \$1.20 to \$1.45 an hour. Many workers will have to be paid much more than the minimum to maintain traditional differentials based on skills and length of service.

The higher minimum has the effect of equalizing costs, which reduces competition, and of raising costs for more than half the drug manufacturers who pay less than the new minimum.

At the same time that one government agency is raising costs of the drug industry, others are buying drugs from foreign manufacturers who do not have to meet comparable wage costs or provide other costly working conditions required of U. S. producers, the industry charges. Some foreign producers are accused of stealing U. S. drug patents and thus avoiding research costs.

White-collar pay

The Federal Wage-Hour Law exempts executive, administrative and professional employees and leaves it to the wage-hour admin-

istrator to define them. He applies two tests which such employees must meet to qualify for exemption: duties and compensation.

The duties required are those commonly associated with these positions. Moreover, the individual must not devote more than 20 per cent of his time to work not closely related to his normal duties.

Compensation must be on a salary basis, not an hourly wage. Since Feb. 2, 1959, the minimum salary requirement for the more than three million exempt employees has been \$80 for executives and \$95 for administrative and professional employees. Those earning as much as \$125 a week do not have to meet as many of the duty requirements.

Hearings were held a month ago to consider increasing the required minimum salary levels to reflect increases since the last review. A recent study of the Bureau of Labor Statistics covering 68 white-collar occupations in 82 cities indicated that salaries rose three per cent in the past year alone.

Government pay

President Kennedy cited the BLS study of white-collar pay levels and salaries paid in private industry in

asking Congress to boost government salaries \$1 billion over the next three years.

He said reform in the salary schedules to improve flexibility as well as the pay increase were necessary to attract and hold competent public servants.

The proposed increases would average 4.3 per cent the first year, beginning next Jan. 1. Additional increases the two succeeding years would bring the total average to 10.2 per cent for the three years.

Business spokesmen urged Congress to defer action at this time because the proposed increases were inconsistent with the President's plea to industry and unions to hold down wages and prices.

The increases would probably establish a pattern and touch off a wage and price spiral in private industry which would add to inflationary pressures, they said. The razor-thin surplus contemplated for the 1963 budget cannot support an across-the-board pay raise for federal employees.

Business also feels that the wage-price restraint which the President is urging on others will become meaningless if the nation's largest employer, the federal government, does not set a proper example. **END**

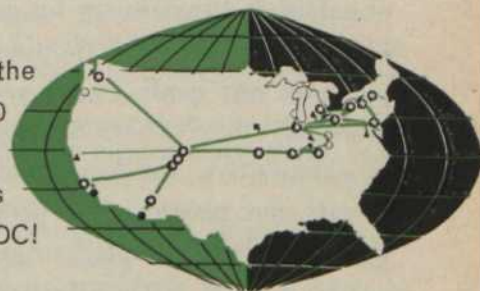


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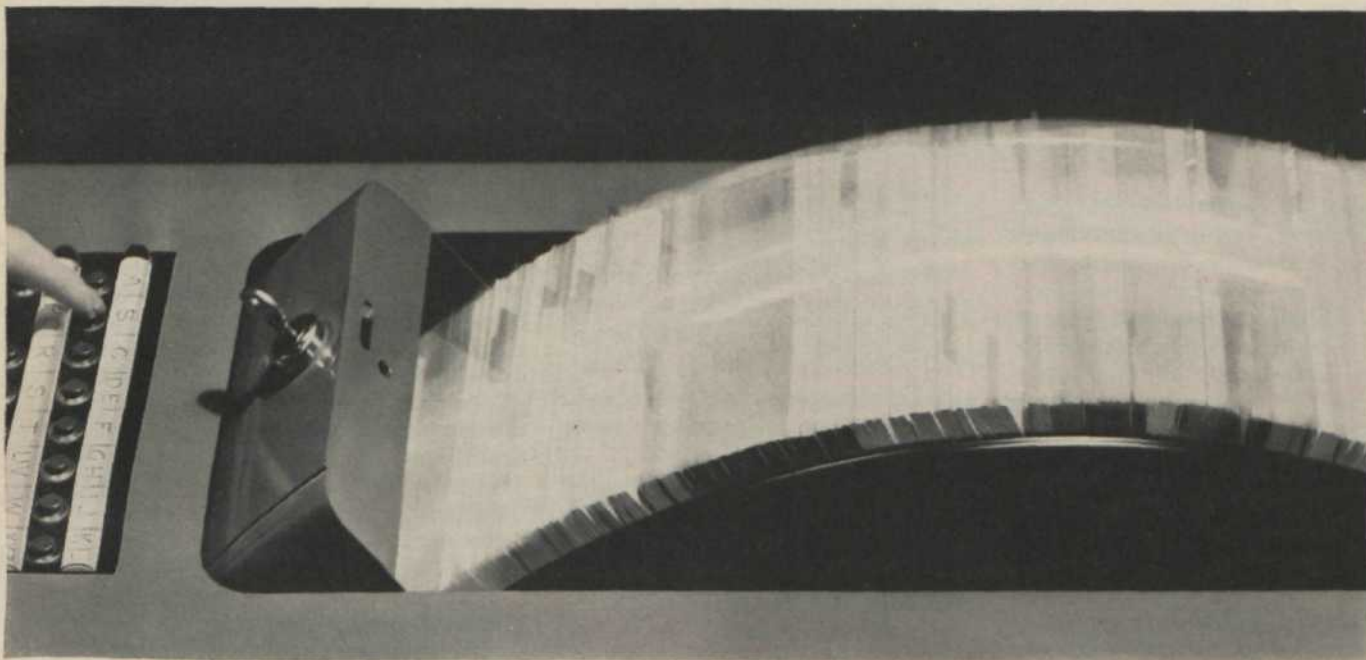
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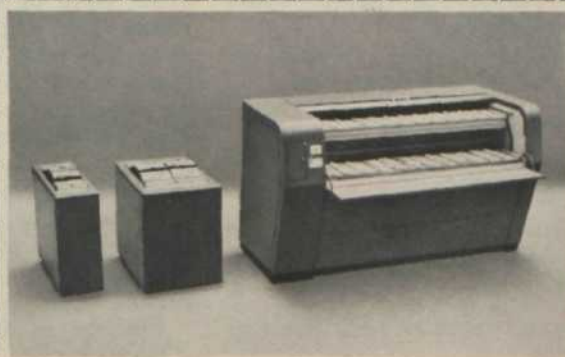


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EXERCISE YOUR IMAGINATION

These tests, based on new research, can help you achieve more creativity

CREATIVE ABILITY is generally considered a gift possessed by a select few.

At least 12 recent research projects, however, indicate that creativity can be developed by deliberate practice. For example, Professors Irving Maltzman, Seymore Simon, David Raskin, and Leonard Litch of the University of California found, on the basis of six studies, that training makes creative problem-solving easier and promotes significant increases in originality. They concluded that "originality is a form of learned behavior."

Similarly, Professors Sidney J. Parnes and Arnold Meadow of the University of Buffalo found that groups trained in creative problem-solving outproduce those which are not. They also found that such groups show significant increases in ability to produce a greater quantity as well as better quality of novel ideas.

A. L. Simberg and T. E. Shannon, of the AC Spark Plug Division of General Motors Corporation, determined in a study of suggestion programs that men who received creativity training significantly outproduced those who did not in the number of suggestions submitted, the number of suggestions accepted, and the amount of money earned in awards.

Four sets of exercises are described here. They were selected for their value in developing the

most important attributes of creativity. These exercises can:

1. Stretch your imagination and increase your everyday problem-solving ability.
2. Help you recognize your ability to produce ideas and solve problems.
3. Encourage you to think of unusual associations among things.
4. Demonstrate that you should have a choice of solutions when deciding a course of action.
5. Show you that unrestricted use of imagination when solving problems is vital.
6. Teach you to postpone premature judgment while thinking up ideas.

Test your flexibility

Greater fluency and flexibility when thinking up ideas are two factors considered basic for creative thinking by such authorities as Prof. J. P. Guilford of the University of Southern California and Prof. Victor Lowenfeld of Pennsylvania State University.

The first exercise consists of naming all possible uses for:

A COMMON RED BRICK
A PAINTING BRUSH
A GLASS ASH TRAY
A WIRE COAT HANGER
A RUBBER TIRE
A WOODEN RULER
A HAMMER

These are used as test items in

most creative ability tests. A red brick, for purposes of illustration, could be used as:

A paperweight, a weapon to throw at an intruder, or a book-end. When ground up it could be sprinkled on icy walks or used as a pigment in paint. Bricks can be used for lawn markers, as insulators under hot dishes, as props for logs in a fireplace, or under wood-plank sidewalks, as lamp bases, to drown cats, in lieu of a hot-water bottle on a cold night, as foot rests, as foot-warmers, to anchor magazines and newspapers on a newsstand, as a base for a clay model, to heat water in a container that cannot be placed over a flame, to break windows, to build objects of art, as hammers, doorstops, wedges to keep a car from rolling when on an incline, as insulation for building, or as steps.

Most creative individuals are able to think of at least eight to 12 different uses for each of the items listed. If you list a large number of uses for one object you have a high degree of fluency, but little flexibility. If, however, you range over several categories (and each of the items listed has at least 10 different categories) you also have flexibility.

If you are unable, at first, to think up several uses, go over the items again. This time try to suspend final judgment completely.

This exercise is helpful because the creative person must be flexible in his thinking. He must investigate a wide variety of approaches to his problem, without losing sight of his over-all goal.

The associations between ideas and thoughts the creative person forms while solving problems are loose and varied. He can rapidly break them up and reassemble the pieces into new patterns to produce the new and original. The highly creative individual allows his thoughts to mill about freely. The less creative individual suffers from what somebody has termed hardening of categories.

The creative individual also can produce more ideas during a specified period than can the less creative person.

Fluency of thinking is closely

linked with the ability to suspend critical judgment temporarily when thinking up ideas.

Alex F. Osborn, the father of brainstorming, discovered that individuals who start evaluating the first idea they get are frequently unable to think of alternatives.

Test your creative thinking

To increase your creative thinking ability within the boundaries of logic, fill in each blank space with a word which has a meaningful association with the word preceding and following it.

RED	— — —	BEER
FUZZY	— — —	MONEY
PLUG	— — —	LONG
ROSE	— — —	DANGER
END	— — —	FACE
FLAME	— — —	HEADACHE
OIL	— — —	SPRING
HARD	— — —	THIRST
HIGH	— — —	YELLOW
SECOND	— — —	GUEST
SHE	— — —	SHOT

Possible answers are:

RED *sunset weather cold* BEER
FUZZY *outlines picture expensive*
MONEY

You should be able to complete at least five of these word series.

The purpose behind this exercise? Most business problems requiring creative solutions consist of a problem situation and a goal. The steps toward reaching the goal are not immediately apparent. The basic problem, together with the goal or desired result, largely determine how the intermediate steps are integrated into a new whole.

Prof. P. R. Merrifield of the University of Southern California first explained the characteristics of this basic problem-solving situation, which has especially wide application to many business problems.

Test your imagination

To develop your resourcefulness, try to think what would happen if . . .

- ▶ WE ALSO HAD TWO EYES IN THE BACK OF OUR HEADS
- ▶ EVERYONE SAID EVERYTHING THAT CAME INTO HIS MIND
- ▶ SLEEP WERE UNNECESSARY

(continued on page 74)

TRY THIS SIMPLE TEST

Professors Richard S. Crutchfield and Harrison Gough of the University of California have found that the answers creative and original people give to the following statements are significantly different from those of less creative or non-creative individuals. Mark the statements true or false.

	T	F
1 Once I have made up my mind I seldom change it.	<input type="checkbox"/>	<input type="checkbox"/>
2 I am very careful about my manner of dress.	<input type="checkbox"/>	<input type="checkbox"/>
3 I am often so annoyed when someone tries to get ahead of me in a line of people that I speak to him about it.	<input type="checkbox"/>	<input type="checkbox"/>
4 I always follow the rule: business before pleasure.	<input type="checkbox"/>	<input type="checkbox"/>
5 Compared to your own self-respect, the respect of others means very little.	<input type="checkbox"/>	<input type="checkbox"/>
6 At times I have been so entertained by the cleverness of a crook that I have hoped he would get by with it.	<input type="checkbox"/>	<input type="checkbox"/>
7 I don't like to work on a problem unless there is a possibility of coming out with a clear-cut and unambiguous answer.	<input type="checkbox"/>	<input type="checkbox"/>
8 I commonly wonder what hidden reason another person may have for doing something nice for me.	<input type="checkbox"/>	<input type="checkbox"/>
9 Sometimes I rather enjoy going against the rules and doing things I'm not supposed to.	<input type="checkbox"/>	<input type="checkbox"/>
10 I like to fool around with new ideas, even if they turn out later to be a total waste of time.	<input type="checkbox"/>	<input type="checkbox"/>
11 I get annoyed with writers who go out of their way to use strange and unusual words.	<input type="checkbox"/>	<input type="checkbox"/>
12 For most questions, there is just one right answer, once a person is able to get all the facts.	<input type="checkbox"/>	<input type="checkbox"/>
13 I would like the job of a foreign correspondent for a newspaper.	<input type="checkbox"/>	<input type="checkbox"/>
14 Every boy ought to get away from his family for a year or two while he is still in his teens.	<input type="checkbox"/>	<input type="checkbox"/>
15 The trouble with many people is that they don't take things seriously enough.	<input type="checkbox"/>	<input type="checkbox"/>

SCORING: Most creative people usually give the following answers on these items: 1—False; 2—False; 3—True; 4—False; 5—True; 6—True; 7—False; 8—False; 9—True; 10—True; 11—False; 12—False; 13—True; 14—True; 15—False. Your answers are not expected to conform perfectly to this pattern. About 75 per cent "right" answers indicates that you have the personality of a creative person.

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IMAGINATION

continued

- ▶ EVERYONE WERE SATISFIED WITH THINGS AS THEY ARE
- ▶ ALL TAXES WERE OUTLAWED
- ▶ WE NEVER HAD TO MAKE DECISIONS
- ▶ THERE WERE NO POLICEMEN
- ▶ ALL PRINTING PRESSES WERE DESTROYED

If we also had two eyes in the back of our heads, for example:

1. One could accomplish more by being able to do more at the same time, e.g., read and write simultaneously.
2. Cars would not have to have rear-view mirrors, and accidents would decrease.
3. Mugging and other crimes would decrease because nobody could sneak up behind one's back.
4. New styles of hairdos would have to be created. Men would also have to shave the backs of their heads.
5. A producer of a play would be able on opening night to see the performance on the stage and at the same time measure the reactions of the audience to each line spoken.

You should be able to produce at least four to eight different consequences for each unique set of circumstances described. Although in the beginning only a few implications may be seen, going over these exercises repeatedly should spark a considerable increase in originality after a few days. To spend just 10 minutes a day imagining the consequences of such situations is tremendously useful.

This exercise loosens an executive's tendency to be rigid in thinking about problems and strengthens his resourcefulness and imagination. It can help him to view his problems more imaginatively and from different angles, which provides a greater chance for new, creative solutions to emerge. The exercise also encourages the executive to think beyond the commonplace and the ingrained. It can develop a new habit of asking "What would happen if we did it this way?"

A similar technique, called hypothetical situations, has been successfully used by Prof. John E. Arnold of Stanford University in his "Creative Design Seminars." He created a mythical planet with a gravity 11 times that on earth and inhabited by strange bird-like creatures. The people in Professor Arnold's course were asked to design autos, ap-

pliances and machinery for these creatures.

Professor Arnold has found this exercise one of the most valuable training aids he has developed. Many of the individuals who took his course have since become successful design engineers and sought-after idea men.

The set of exercises included here have been used, as an experiment, with Princeton graduate students. All of them found these exercises effective in energizing their imagination.

Test your ingenuity

Here are several statements you are to assume are true. Give as many reasons as you can to explain why they are true.

1. It has been found that brighter students suffer more from feelings of inadequacy and inferiority than do less bright students.
2. April is the month with the largest percentage of suicides.
3. More important business transactions are conducted on Tuesdays than on any other day.
4. The percentage of smaller men promoted to executive positions is significantly larger than the percentage of taller men.
5. More bald-headed men live in urban than in rural areas.

Sample answers to item No. One might be:

1. Brighter students are more aware of what they do not know and therefore experience more feelings of inadequacy.
2. Brighter students might have felt more inadequate to begin with and therefore compensated for this by working harder.
3. Brighter students lack skill in sports and social affairs and since these attributes are culturally valued, they tend to develop feelings of inferiority.

Two to four answers here for each item can be considered excellent.

The purpose of this exercise is to set your powers of ingenuity in motion. The latitude of explanations is more circumscribed and the statements conform more to reality than in the previous exercise. But the exercise is closely allied in that its aim is to strengthen your resourcefulness.

—EUGENE RAUDSEPP
Research Psychologist

REPRINTS of "Exercise Your Imagination" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance.

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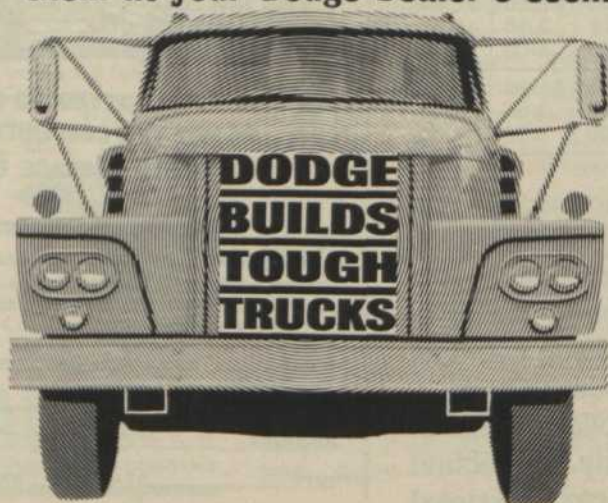
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OFF!"

Why Reds make friends with businessmen

BY **J. EDGAR HOOVER**, DIRECTOR,
FEDERAL BUREAU OF INVESTIGATION,
UNITED STATES DEPARTMENT OF JUSTICE

Communist agents may try to get your secrets or sway your opinion

AT THIS MOMENT the Russians are doing everything they can to make friendly contacts with American businessmen—to meet them personally, to cultivate their friendship, to establish cordial relations.

Why? Because the communists have changed their view that the businessman is a monopolist or exploiter? No.

Because the Russians want to become like American businessmen? No.

It is because the Russians want to obtain—by begging, borrowing or stealing—the industrial secrets of American business.

For this reason American industrial firms are today a priority target of Russian and satellite espionage, especially businessmen handling scientific and technical information. Perhaps you have been contacted as part of this campaign.

Not long ago a business firm ran a routine newspaper advertisement saying that it would send upon request a free booklet about the American aircraft industry. Shortly afterward an official of the Soviet Embassy requested a copy. The firm's Washington representative mailed it to him.

Approximately three months later, the local representative received an invitation to a social function at the Russian Embassy. He accepted. While he was there, the Soviet official who had originally requested the booklet sought him out. The Russian was most affable and during a brief conversation alluded to the information about the aircraft industry. He commented that the data was most interesting and wondered whether the businessman had more.

Personal contacts important

The request for a free booklet is a technique often utilized to make an initial contact. Sometimes the Russians write a letter on their own initiative requesting pamphlets, books, maps and other material from business firms. They may visit a company per-

sonally. They want to obtain literature but also—and this is most important—they want to make personal contacts with you, a businessman.

Attending conventions, especially those of a scientific and technical nature, is a favorite way of making contacts. Soviet officials systematically cover conventions throughout the country. Here they gather material of every possible description—anything they can lay their hands on. It is amazing to see the voracious Soviet appetite—everything from telephone directories to radar devices, from aerial photographs to scientific textbooks. If the convention provides



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NB 528

REDS

continued

gregariousness of Americans. Soviet officials are socially polished, well educated and speak good English. Some years ago it was easy to spot a Soviet official in a crowd—from his clothes and behavior. This is no longer true. They dress in American style and are thoroughly acquainted with our customs and etiquette. Above all, they are socially aggressive. They don't hesitate to stop a stranger and introduce themselves. Within a few minutes they have a conversation going.

Reds exploit freedoms

These Soviet activities are entirely legal. Under our form of government the Russians have every right to visit conventions, talk to Americans, use our mail. They buy patents by the thousands, subscribe to technical, scientific and other journals, belong to scientific societies, travel widely, make speeches. In typical communist fashion they are exploiting our freedoms to the hilt—freedoms which they would immediately deny us if they seized control of this country.

A casual contact achieved at a convention, through the mail or by a chance acquaintance, however, is not enough. The next step is to develop it. How is that done?

Of course, many of the initial contacts remain just that. However, if the Soviets feel they can benefit, they will follow through. This may not come for several months. One day the businessman gets a telephone call:

"This is ——. Remember you met me at such and such a convention or affair."

Or the caller may say, "I'm ——, a friend of ——," referring to another Russian who had met the American.

The second contact may come in a matter of hours or days. The businessman may receive an invitation to a Soviet social function. He may receive presents (as at Christmas)—a bottle of vodka, a tin of caviar or some kind of trinket. The official often delivers these in person. Why in person? The gift is merely a technique to establish or renew a personal contact. Bringing it provides the opportunity for a person-to-person meeting and almost invariably creates a grateful feeling in the recipient.

Then there is the invitation to lunch. The Soviets have expense accounts and do not hesitate to pay

the bill. Also they are happy to accept invitations to visit American homes. There is no better way of creating a feeling of familiarity and trustworthiness.

Blackmail may result

The Soviets capitalize on the curiosity of Americans. One individual happened to be seated at a banquet table with a Russian official. Since this was the first Russian he had ever met, he asked a great number of questions—a natural reaction. By the time the dinner was over, mutual social invitations had been extended.

If the Soviets learn that a businessman has a hobby such as fishing, playing golf or traveling, they happen to have similar hobbies. Remember these people are well educated and well traveled and can talk with authority and persuasiveness in many fields. If an American was born or lived in Russia or an Iron Curtain country, the Soviets quickly try to turn these facts to their advantage.

Who is this businessman? What's his background? To what information does he have access? Can he guide the Russians to other individuals in the scientific field? Does he have friends in the military services or the government? These are the questions the Russians are trying to answer. The businessman, of course, doesn't realize how closely he's being scrutinized by this affable, smiling, trusting Soviet. To the American, this is merely a social or business contact (the Russian may actually place some business orders) and, as good etiquette, he's trying to be as friendly as possible.

That's why the Russians ask the businessman many questions—some directly, some obliquely. Is the businessman in the Naval Reserve? Where has he previously worked? Does he ever enter classified areas in plants having defense contracts? Has he ever been in trouble? (The Russians want to know personal details of the American's life. Among other things they are alert for a possible weakness which can be exploited. Blackmail is not above their practices.)

In one conversation with a Russian, a business executive happened to mention the name of an employee in an aircraft plant. Immediately the Soviet wanted to know how to spell the name. He might be a new contact.

In the back of the Soviet mind—in all these contacts—is the possibility that highly secret, classified

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How to start

The principle is the same: automate (inexpensively) the one paperwork function that causes the most troubles, the most delays. Then analyze the results.

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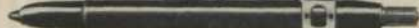
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REDS

continued

material can be obtained. Public
source intelligence is important.
Tons of American documents, pat-
ents, maps, magazines, publications
go to Moscow each year. But a
basic concern of the Russian in-
telligence system is to steal Amer-
ica's classified military, technical,
scientific and industrial secrets.

That's the purpose of the Russian
spy apparatus. That's why these
men have been so carefully trained.
That's why the FBI's experience in-
dicates that an extremely high per-
centage of Soviet officials in the
United States have espionage as-
signments.

When espionage begins

Take, for example, a businessman
who, after the initial contact, was
invited to social functions and
luncheon appointments. Almost a
year had elapsed since the Russians
originally obtained his name. Then
the Soviet, at the luncheon table,
went into more detail. He was pre-
paring, he said, a report on eco-
nomic conditions in the electronics
industry—and would be in a posi-
tion to pay money for information.
He wanted the data quickly.

Obviously the Russian felt he had
played along with this businessman
far enough so that he could ask for
detailed information. Note that the
request is still innocuous, nothing
yet dealing with classified data.

In another instance, at a meeting
with a businessman, the Soviet was
more specific. He indicated that he
was no longer interested in public
material and specifically requested
information about certain aircraft
models, production rates and per-
formance evaluations. The Russian
was now entering the realm of espi-
onage, violating the laws of the
United States.

The Soviet interest also encom-
passes the businessman not engaged
in scientific and technical fields. For
example, in an eastern city a Soviet
official frequented a certain book-
store. He soon made friends with
the proprietor and later invited the
businessman and his wife to dinner.
But this was not to be money just
wasted for entertainment. The Rus-
sian had an inquiry. Could he use
the businessman's store as a place
to receive mail? In espionage lan-
guage this was a mail drop, and an
important part of the spy apparatus.

Besides Soviet espionage, the
businessman is also the target of the
Communist Party, USA. The Party

denounces the businessman as an
enemy, yet it does everything it can
to influence his opinion. The party,
for example, urges businessmen to
take a favorable view of the Soviet
Union, to trade with communist na-
tions, to realize that communism is
the wave of the future. This is part
of the party's propaganda campaign.

Also you may have received in
the mail unsolicited copies of party
pamphlets, literature and newspa-
pers. Sometimes you may receive—
again unsolicited—letters from or-
ganizations you never heard of—
but, if you took the time to investi-
gate, you would learn they are
communist fronts. They are sending
you propaganda and urging, this
never fails, a financial contribution.
The party likes nothing better than
to have a businessman, not realizing
the identity of the organization,
contribute to a front, sign one of its
petitions or publicly support a com-
munist-sponsored campaign.

Where does the party obtain your
name? Perhaps from the newspaper,
mailing lists, telephone directory.
This is part of its unending effort

"Freedom vs. Communism,"

a study course on the Red
threat, is available from the
Chamber of Commerce of
the United States, 1615 H St.,
N. W., Washington 6, D. C.

of pressing forward its position,
hoping to benefit its cause.

The party is also interested in
infiltrating and controlling labor un-
ions. This has been major commu-
nist policy since Lenin. Labor
unions have done a magnificent job
in ridding themselves of commu-
nist influence, but party pressure
continues. If possible, the party
would like to infiltrate business
firms and has been known to oper-
ate businesses as covers. Members
of the party who are businessmen
—and there are some—lend their
facilities to communist use, if the
party desires. Financial angels in
business ranks are highly esteemed
by party leaders.

Businessmen, of course, are not
the only targets of Russian espion-
age and the Communist Party,
USA—so are government employees,
labor officials, scientists, skilled
technicians, farmers. Businessmen
do represent a priority target—and
because you rate such an important

target you, as a businessman, can do much to help the FBI defeat this communist effort to weaken our nation.

What can you do?

1. Know more about communism, its strategy and tactics and how the communists are working to destroy our democratic principles. If you are an employer, encourage your employees to take the time to learn about the evil of this way of life. The distribution of reading material within your company is most desirable.

2. Be familiar with basic communist newspapers, magazines and periodicals. If they arrive in your plant, you and your staff will be able to recognize them. Perhaps you can help your employees identify them.

3. Know how communist fronts operate. Take the time to be informed about how fronts are formed, how they propagandize, issue literature and collect money.

4. Realize that business enterprises and labor unions are prime targets. The communists detest both business and labor unions. They regard both as part of the hated bourgeois society. Many people feel that because they are anticommunists the communists are not interested in them. This is wrong. The communists are constantly trying to influence the thinking of noncommunists.

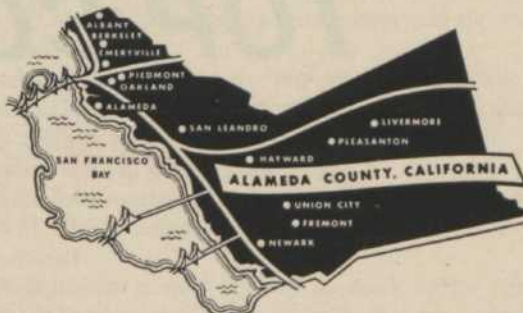
5. Businessmen who are employers should be extremely conscious of plant security, realizing that the communists (especially Russian espionage agents) try to find weak points—both in personnel and physical facilities. Effective plant security is a vital and continuing responsibility.

6. Report to the FBI any information pertaining to espionage, sabotage and subversive activities. The FBI is the government agency charged with protecting the internal security of the nation.

You, as a businessman, stand today in a key position to help the FBI and protect our nation from the Russian espionage agent and the communist. Perhaps you may feel the information you possess is inconsequential. Resolve your doubts by reporting it immediately to the FBI. Many times a small piece of information, when placed with data already in our possession, may solve an important case.

We can defeat the communists by working together as a team. That is our challenge. **END**

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HOW TOP COMPANIES PLAN SUCCESS

Results of a new study will help you chart future course of your business

BUSINESS PLANNING is carried on to help assure the survival and growth of your company. But planning, especially for the longer term, involves a paradox:

"No one can foretell the future," says Edward J. Green, vice president of planning and marketing, Westinghouse Air Brake Company. "Now, this almost sounds shocking; people say, 'if you can't foretell the future, what are you trying to plan for?' The answer is that, because one can't foretell the future, it is essential to plan."

Despite the impossibility of accurately forecasting the future, the business planner identifies a range of possibilities and prepares for them. Once this is understood, the difference between planning and forecasting becomes clearer.

Forecasting is the attempt to find the most prob-

able course of events. Planning is deciding what to do about it.

Specialists in market research and economic forecasting can gather information on which business plans can be based. But decisions on what is to be achieved, and why, must be made by top management.

This view was generally supported by managers who participated in the American Management Association's research into planning. Most of those interviewed in firms which have staff planning departments emphasized that these departments do not make business decisions. Instead, they gather information, identify problems, recommend procedures. Top management decides the kinds of work to be performed, the material to be used, and the needs of specific customers. Top management decides the risks

"It is essential to plan simply because no one can foretell the future," says
Edward J. Green, vice president of
Westinghouse Air Brake Company

"Talk to people about what is to come," advises **Hugh F. Beckwith**,
director of research and planning
for E. F. Hauserman Company



the company is willing to take and whether the firm's future is to be staked on one or more products, on one or more markets. Management decides what the company will do as a side line and what it will do as a life-or-death commitment.

Executives consulted by the AMA agreed that successful planning not only requires a basic definition of what planning is and why it is important but depends heavily on the following steps:

- ▶ Constant collection and review of information on economic trends, competitors' moves and changing technology.
- ▶ Use and periodic updating of certain basic assumptions which underlie all plans.
- ▶ Identification of a company's most important planning needs.

Information for planning

Many participants in the research said planning for a whole enterprise cannot be based on economic or marketing research alone. After predictions and forecasts—with all their pitfalls—are made, management must decide what kind of business it wants to create in the future.

To grow, a business needs to be in touch with the forces that control and are controlled by it. What matters is the performance of the whole business. Information for planning is information for improving this performance.

The increasing availability of information on changes in national, international and local economic conditions, in politics and on international relations, art and culture magnifies the problem of discovering what part of it is essential.

"Information" includes specially prepared reports,

chance conversations, comments passed along by others, and the manager's own observations and experience.

Information creates a view or image of the business in the minds of its managers. Other information may change the view or have no impact on it. These questions, then, must be answered:

Will information change the view of the manager?

Will the manager alter his attitudes and his priorities?

Will he see a new system at work as he looks at more and more construction with someone else's adhesives rather than with his own nuts and bolts?

An executive needs to plan inputs of information—not only to be able to make decisions that fit the circumstances, but to plan necessary decisions.

Probably none of the factors influencing the decisions of the manager is more important than his total life experience, his personality.

Much of the benefit of planning is rendered invalid if the manager has no intention of doing anything more than he has been doing. Information will not be of much value if it does not cause you to reconsider your business in the light of what you have learned. These questions are the same for all businesses:

For what events in the business is planning both necessary and possible? Which of them has priority? What kinds of information are needed in order to do the planning?

A manager must not only keep aware of actual developments in key areas, but he needs to capitalize on them and to generate business for the company as a result of this knowledge. Long-range planning is not limited to pinpointing changes taking place. It

"Be ready for a mushrooming area of technology before it mushrooms," recommends Harold L. Howling of Arthur D. Little, Inc., research firm



SCHUGER, HASTINGS, MASSAR, BLACK STAR

THIS ARTICLE is adapted from "How Companies Plan," a research study to be published this month by the American Management Association. The report culminates three years of investigation by Stewart Thompson, manager of research projects for the AMA, and is one of the most extensive studies to date of the methods and philosophies of planning followed by companies in a variety of industries. Approximately 100 people were interviewed, including high-ranking executives of more than 25 firms, university professors and private consultants.

PLAN SUCCESS

continued

must define those changes in ways that relate to the way the company's products are sold and used.

Hugh F. Beckwith, director of research and planning for the E. F. Hauserman Company (designers, manufacturers and installers of movable interior walls), describes the kinds of information he thinks essential to his firm's long-range plans:

"I spend a fair amount of time talking to people who have something to say about what is to come. These people include architects, social planners, persons of many backgrounds.

"There is a great deal of discussion in the education field about how we are going to educate children. New ways of teaching—lectures by closed-circuit television, for one—are beginning to have an impact on the schoolhouse as well as the teaching system. If we are going to have new kinds of teaching methods, what kind of schoolhouse must we have?

"Many people who are today concerned with schoolhouse design say, 'We don't know what it is going to be like in 25 years. Therefore, our structure ought to be able to accommodate itself to changes.' This represents a big, fat opportunity for us if we just understand it."

Information will not eliminate risk, although it will define and clarify the risks and the reserves that need to be made to hedge against them.

The business of Arthur D. Little, Inc., is research for industry and government in a variety of scientific fields, as well as consulting service for management. Keeping informed on a wide range of developments in the United States and abroad is a continuing problem. Harold L. Howling, assistant sales manager, research and development division, describes his company's approach to the problem:

"We have to prepare to offer services in new fields before our clients request our help. We have to be on the lookout for the first signs of a sudden blooming of technology . . .

"On the basis of where a technology is now, we have to decide whether a new level of sophistication will develop, or whether something so different will arise that what might be called an entirely new technology will be created.

"About 11 years ago, ADL concluded that cryogenics—the study

of low-temperature phenomena—was a new area that looked as if it would have real technical significance. We formed a group to start work in that field. When government and industry started becoming interested in cryogenics, we were in a position to offer [our] services and knowledge."

Asked what new areas of technology he sees as important for the future, Mr. Howling gave two examples:

"Utilization of paper and plastic combinations has been going on for some time, but within the past few years it has accelerated at a tremendous rate. This area of technology is still mushrooming. Another field that we feel is going to be of more significance is oceanography and marine science. We have started developing our skills in that field."

Technological surprise

The aim of technological planning is twofold: to avoid being overtaken by technological breakthroughs by competitors, and to bring about breakthroughs that will surprise competitors.

Pampered political bloc
or productive citizens?
Older people have been
pictured both ways. A
factual report on their
problems is on page 29

By identifying technological changes in competitors' products in advance of public knowledge, the manager may be able to beat competition by changing his own research plans. Alternatively, research expenditure may be avoided in fields where others are making or probably will make substantial progress.

An executive of a pharmaceutical company explains a few of the ways in which information is gathered for use in his company's plans:

"In addition to maintaining our scientific advisory board, comprised of outstanding physicians, we make strenuous efforts to keep ourselves informed. Our research people belong to societies of all kinds. They read papers. They are trafficking with scientists in many ways."

At least one company takes pains to instruct its purchasing agents in the pertinent questions that are likely to elicit information on competitors' products and manufacturing methods.

It is unfortunate that important information can reach a dead end in the organization and remain there.

In this connection, the sales manager of a supplier to heavy industry recalled an event that had led to the unexpected loss of more than \$2 million of inventory for his company. His firm supplied about 75 per cent of a special material used in several manufacturing processes of a large company. Counting on the annual peak demand coming again, the supplier built up inventory to meet it.

The demand did not materialize. The customer's engineers had developed a new way of performing the production process. The market had disappeared.

Discussion with the salesman who covered the account brought out that he had known that the customer's engineers had been "fooling around" with new production ideas, but he had attributed no significance to what he had seen and heard.

This event brought to light new problems for the business and the need for new kinds of information: To what extent would customers increasingly become competitors? Did the salesmen know what kinds of questions to ask? Did they know how to identify the kinds of events in customers' plants that could radically affect tomorrow's sales results?

Using economic information

Mr. Green says a projection of the general economy is necessary to do a good job of long-range planning:

"We suggest that all of our divisions use a judgment-model projection of gross national product. We believe planning should start with information on the general economy.

"The second kind of information needed has to do with the outlook for the health and growth of the industry or industries served by each of our divisions. We get information from divisions. We get information from industry economists and from trade associations.

"A third kind of information has to do with the outlook for our divisions in the particular markets they serve within their industry or industries."

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AIR FLEET OF AMERICAN BUSINESS

PLAN SUCCESS

continued

revealed by information on investment intentions, consumer spending and saving, interest and exchange rates, gross national product, and so forth. But merely to record information of this sort, or even to use it as a basis for plans, is not planning.

Planning requires the discovery of the extent to which economic indicators actually do indicate what the course of the business ought to be. Different economic forces influence different businesses in different ways. These differences are best determined after the manager understands the pattern of buying and selling that affects his business or businesses.

In some companies long-range planning is largely the following of trends. Perhaps this approach is taken to a varying extent in all companies. But long-range planning ought to seek the unique situation that sets the firm apart from the industry.

Kenneth E. Boulding, professor of economics at the University of Michigan, explains his view of the usefulness of forecasts and predictions in business planning.

"Planning isn't really a prediction of the future. You can't predict the future. There may not be any future. What I think you can plan for is change itself. This, I think, is quite important. If you think of planning in terms of an organization's flexibility in preparing for the unknown and of anticipating possible crises and system changes, this really seems to me to be the essence of it.

"Now, in the case of the firm, I think that the things that have to be looked for are these:

"1. Sudden shifts in demand, either to competitors' products or among a firm's own products. A firm may find itself high and dry as a result of the development of new products by other firms.

"2. The problem of the unexpected removal of key people by death or resignation. This certainly is a crisis.

"3. Any kind of general crisis in society will generally be a crisis for the firm."

Assumptions

Assumptions about people and things control what a manager plans to do. In making plans the manager often reviews the assumptions on

which his plan is based, examining them carefully to see that none is unwarranted.

The things the manager takes for granted—the assumptions he makes about himself, about those with whom he works, about his government, about his competitors, about other businesses, about his customers—all these determine what he does and why.

Assumptions about major events are often set down in writing as part of the plans. One of the key assumptions in a plan may be later proved wrong. For example, a technological innovation may completely invalidate a company's assumption that methods of making aluminum will not change appreciably in the next ten years. The company's entire basic plan may then become useless.

You cannot always choose the assumptions you will accept. It is unrealistic to consider all assumptions as completely or even largely rational. However, alternative assumptions about what competitors are likely to do, about the general economy, about the capabilities of the business to deal with its most pressing problems, can be considered as plans are being drawn up or even before. Making new plans for new kinds of growth often, if not always, requires an awareness that new assumptions ought to be made.

Stating assumptions can help a manager recognize the essential factors on which his plans are based. The process can also help him consider the possibility that he has misinterpreted these controlling factors.

The matters on which the manager will make explicit assumptions will be determined in part by the span of time over which he plans. If he is concerned with only the immediate year or two ahead, then his assumptions may be different from those he would make if he were trying to assess the impact of his decisions over a decade or a generation.

Assumptions that some managers attempt to state explicitly deal with general factors, such as the direction in which the cold war is heading, national growth of the particular industry, and growth of specific markets. Assumptions about the likelihood of technological change, about what kinds of people will be required to manage the business in a few years, about the availability of raw materials, about the development of overseas markets, and about the obsolescence of the company's present products are also ac-



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PLAN SUCCESS

continued

counted for in the plans of several firms studied.

Among the most important assumptions that are part of all plans and decisions are those the manager makes about human nature and about how people should be managed. Such assumptions are hardly ever identified and questioned. Oversight in these matters may prove a significant weakness in planning.

One question that may bring to light the few assumptions on which a plan rests is this: What are the conditions that must exist if our plan is to be workable?

If a plan will succeed regardless of the validity of an assumption, there is no need for the assumption.

For planning purposes, assumptions reached at one level become facts for lower levels. An illustration: Assumptions made by the company president with respect to the growth of a potential market ought to be regarded as facts for planning by others—the marketing manager, for example. Effective planning could hardly be possible if the marketing manager based his plans on different and contradictory assumptions.

Reviewing assumptions upon which a plan is based focuses attention on the specific conditions that must exist if the plan is to be realized. A plan is good only when certain conditions prevail. When those conditions do not prevail, the problem is changed and so must be the plan as well.

Identifying planning needs

There are many ways in which a manager can identify the kinds of decisions for which planning is necessary at a given time and in his particular circumstances. Rather than being distinct from each other, each identification is a different emphasis of focus on the same process.

Here are some: Asking essential questions; reviewing recurring problems; anticipating crises; reviewing opportunities; planning for decisive superiority.

One approach to identifying the needs for planning is to formulate the most general kinds of questions—questions on what has led to past or present successes and on assumptions that underlie the evaluation of today's performance as being bad or good.

Planning should never be a substitute for doing today's work ex-

pertly. But what is "today's work?" Could the manager better meet the emergencies and problems of today's operations by shifting the level of the questions he asks himself and others?

A considerable advantage could accrue to the manager who undertook a periodical review of crisis situations that could—or did—develop. The inquiry need not be confined to one's own experience, or to one level of management, or to a single department. But, insofar as top managers are concerned, planning should cover possibilities that could devastate the enterprise.

The president of a company supplying a giant corporation was shocked to learn that his most important customer had decided to discontinue doing business with his firm. He immediately laid off 10,000 workers, publicly proclaiming the injustice of this customer. A short time later the president was fired, because the owners and directors found no justification for the president's view that the company's relations with the customer would continue indefinitely.

Top managers might also identify for themselves the crises of national or international proportions that would markedly affect the business of their companies.

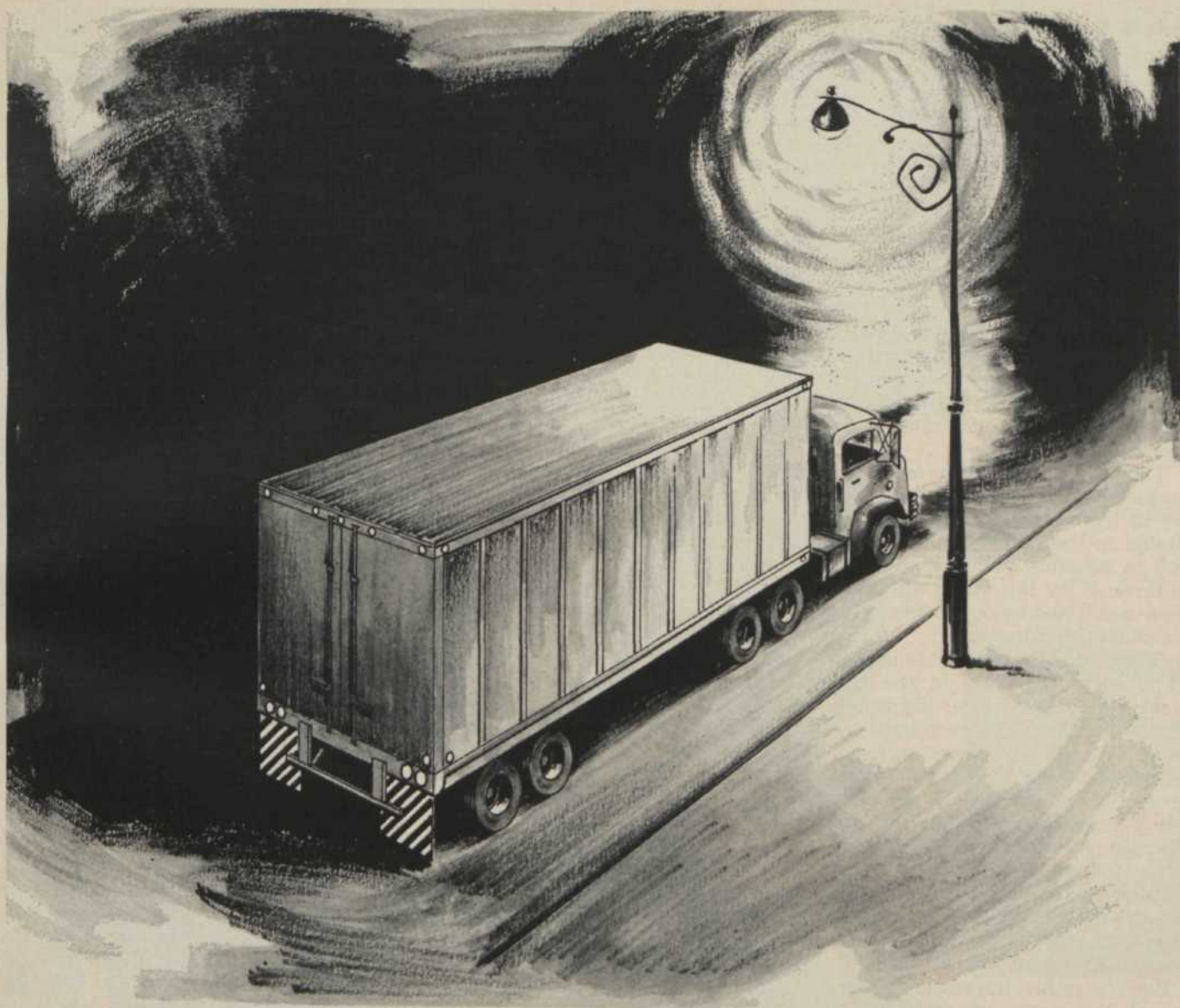
Such a manager would ask himself, "What are those events that might happen that need to be guarded against now?"

Managerial planning is inextricably associated with the complex problem of classifying as "likely" or "possible" or "impossible," and determining what, if anything, could be done to hedge against many kinds of contingencies.

Searching questions such as these may be asked: "What kinds of opportunities have been lost because preparation and thinking started too late?" "Is there insufficient cash when suppliers have large stocks they want to dispose of at advantageous prices?"

This is not to say that a manager can plan for every eventuality. But often, in the experience of the manager, or the combined experience of several managers, there will be a wealth of knowledge of the provisions that should be made for the opportunities which can be anticipated.

Planning can be and should be more than preparation to respond to the unknown. Planning can be a way of identifying and developing the unique characteristics, the special areas of expertness, of the business. **END**



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TAX CHANGES IN '63

continued from page 37

were to reject the proposed tax withholding on dividends and interest or if it fails to accept the Administration's proposals for tighter treatment of business expense accounts.

Where cuts could come

These possibilities aside, it's probably safer to predict some of the tax-cutting changes that will be found in the new big bill than to speculate on what will be done to bring about the compensating increases in revenue.

The tax cuts will have two main purposes: To make changes that are in themselves economically desirable in the minds of the experts and to generate political pressures in favor of the bill which will offset those generated by opponents of the revenue-raising items.

Almost certain to be recommended is some reduction in the top-bracket income tax rate, which now hits 91 per cent. Few economists or lawyers would any longer oppose a reduction of the top rate to somewhere between 65 and 75 per cent. Many think the top rates are far too high; others say that few actually pay them anyhow because most people with top-bracket incomes use tax-exempt bonds, long-term capital gains and other devices for holding down their actual tax rate.

Even a rather impressive lowering of the maximum rates would involve only a few hundred million dollars of immediate revenue loss.

Most Treasury officials would also like—provided they can find a way to replace the revenue they would lose—to propose some reduction in the lowest bracket individual income tax rate. This is now 20 per cent on the first \$2,000 of taxable income. Many experts lean toward 15 per cent or 18 per cent on the first \$1,000 or \$1,500.

The change would benefit all taxpayers, since all pay the 20 per cent on their first \$2,000 of taxable income no matter how high their total income. A first bracket cut would build public pressure for the tax bill, Treasury men believe.

There is also substantial Treasury sentiment for a modest cut in the present 52 per cent corporate income tax rate—perhaps to 50 per cent or even 49 per cent—if revenue circumstances permit. Its proponents feel this would stimulate additional investment and also eliminate businessmen's complaint that

"Uncle Sam gets more out of my profits than I do."

Some form of income averaging, which would amount to a tax benefit for many people, is also receiving close study. This would permit people with incomes which vary over several years to avoid excessively high taxes for a good year.

This proposal is advanced partly for equity reasons; it would give needed help to entertainers, professional athletes, some businessmen and others. It is also seen as a device to discourage the search for new ways to convert ordinary income into lower-taxed capital gains. It could even turn out to be an ingredient in an administration proposal to remove the capital gains treatment for some items such as stock options and certain royalties.

Possibly some tax relief for "unmarried heads of households"—single, divorced or widowed taxpayers who maintain a home for closely related dependents—will be proposed. Such taxpayers now fare better than ordinary single taxpayers

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For facts turn back
to page 38**

but not as well as married couples who take advantage of the income-splitting provision. Many experts think heads of households should be entitled to use the same tax schedule as do married couples filing joint returns.

So much for the changes that would benefit the taxpayer. It's harder to anticipate just what the Treasury will recommend to tighten up the tax laws. Some of the items Messrs. Surrey, Caplin, Heller and others mentioned in speeches and testimony before they took positions in the Kennedy Administration are almost certain to be dropped as undesirable or too controversial.

No one seriously thinks, for example, that the Administration will recommend the elimination of income splitting for married couples, or a tax on the "imputed rental income" that a homeowner gets by occupying his own home. However they might approve in theory, these men are almost certainly not going to propose to Congress that income

taxes be levied on workmen's compensation, unemployment compensation, veterans' pensions, public assistance payments, social security or railroad retirement benefits.

For technical reasons, if for no other, they are likely to duck taxing as part of income an employer's contribution for employee life insurance or the wage value of subsidized low-cost lunches in a company cafeteria.

Some areas, however, are being investigated seriously. Here's a rundown of some of the items:

Capital gains—This field, in which special types of income are taxed at lower rates than regular income, is a prime subject of Treasury attention. A taxpayer now can exclude from tax half the profit he makes selling an item that qualifies as a long-term capital asset and he needs to pay no more than 50 per cent on the other half. In other words, the entire gain is taxed at not more than 25 per cent.

Among the types of income that specially qualify for this treatment—in addition to profits on the sale of a home, stock, business or other clear capital asset—are profits from certain types of stock options granted corporate officials, lump sum payments by pension trusts on an individual's retirement, coal and timber royalties, patent royalties and sales of breeding livestock and unharvested crops.

The Treasury men are examining every side of the capital gains picture. They are almost sure to suggest that many of the special types of income be excluded from this treatment altogether, particularly stock option profits and lump sum payments by pension trusts. They may recommend lengthening the period, now six months, which assets must be held to qualify for long-term capital gains treatment, or possibly even a system under which higher rates are levied on assets held less than several years.

In the capital gains area, there is also serious consideration of one proposal that would benefit some taxpayers. This is a rollover provision that would postpone capital gains taxes on any sale in which the proceeds are reinvested in similar assets within a year or some other specified period. This approach is now used with profits made by an individual who sells his home. The rollover could be used repeatedly on the same money, and no tax would be paid until the taxpayer finally sells and doesn't reinvest. The idea would be to an-

(continued on page 96)

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... In Congressional Debate on Foreign Trade

The Problem

Reciprocal Trade Agreements Bill -- keystone of our international trade policy for 28 years -- expires June 30.

Congress must decide whether to (1) renew it in present form (2) allow it to lapse; or (3) modify it substantially.

One Proposed Solution

The administration, in Trade Expansion Bill of 1962 (HR 9900) is asking substantial revision of Trade Agreements program.

Bill would grant President five-year authority to:

-- Reduce present duties on certain items by as much as 50%. Reduction would be in gradual stages, would apply to broad categories of products.

-- Eliminate gradually tariffs on certain items in which the U. S. and the European Economic Community (Common Market) supply 80% of free world's trade.

-- Eliminate all tariffs under 5%.

Bill would also modify procedures for obtaining relief from tariff changes; would introduce long-discussed program of readjustment assistance:

-- for workers, (unemployment compensation, retraining, relocation help).

-- for businesses, (technical assistance, tax benefits to encourage modernization and diversification, loans and loan guarantees).

To support request for more negotiating flexibility, supporters cite:

-- Basic arguments for freer trade: (international specialization -- each country producing what it can produce most efficiently -- results in higher living standard for all).

-- Growth of Common Market which is breaking down traditional internal trade barriers in Europe, but erecting new external barriers.

Other reasons cited for greater flexibility include need: to increase exports to improve balance of payments position; to accelerate U. S. economic growth; to combat Communist aid-and-trade offensive.

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TAX CHANGES IN '63

continued

swer the argument that capital gains taxes now freeze assets because the tax on profits discourages people from selling stocks or other items they really want to sell.

The rollover approach would be coupled with institution of capital gains taxes on the profits on an item a person gives away or passes on to his heirs. Today no capital gains tax is paid on the accumulated profits on such an item. Treasury officials are inclined to the view that this accumulated profit should be taxed at the time of the death or gift, and may recommend it even if they don't sponsor the rollover approach itself. Presumably there would be some provision for spreading the tax over several years.

Percentage depletion—Oil, gas and other mineral properties now benefit from two special tax provisions. Owners can exclude from taxable income each year a certain percentage of gross income, the percentage varying from five per cent for clay to 27.5 per cent for oil and gas. Moreover, they can deduct currently from income, rather than having to capitalize, much of their outlays for exploration, drilling and development. Top treasury officials would like to move to reduce either or both these benefits, but such a step would be sure to provoke a political storm.

Exempt income—There are a number of targets in this area, but again the political dangers are great. An example is the present tax exemption on state and local bonds. These are held largely by top-bracket taxpayers to hold down their actual tax bite, and the Treasury would like to do something about it. But such a move would have to be accompanied by some form of aid to states, counties and cities to make up for increasing the cost to them of raising money. A solution would be hard to work out even if the political opposition to removal of the tax exemption could be overcome.

Treasury experts also have been eying the possibility of taxing the interest that accumulates on life insurance policies, which is now tax free. They would like to recommend repeal of the present sick-pay exclusion, under which a worker can generally exclude from his taxable income up to \$100 a week received from his employer while he was sick or out of work because of an injury. Similarly, they would like

to repeal the retirement income credit of up to \$240 a year if a retired person has \$1,200 a year in income from pensions, annuities, interest, rents and dividends, over and above earnings from work.

All these changes would, of course, encounter bitter opposition.

Deductions—Finally, the Treasury is looking longingly at the possibility of eliminating or reducing a number of the present personal income tax deductions.

One of the most likely outcomes of this scrutiny would be a plan to rule out casualty loss deductions of less than a stated figure—perhaps \$50 or \$100. Now a taxpayer using an itemized deduction can deduct all of any casualty loss. This privilege was originally provided to help taxpayers who had suffered some extraordinary loss in a major calamity or accident—a house destroyed by flood or hurricanes, for example.

But Treasury officials say a good portion of the revenue lost from this provision is from deductions for relatively minor items—a dented fender, or a bush killed in a wind storm. They assert that the taxpayer shouldn't expect Uncle Sam to bail him out of every minor mishap.

Much study is also going into proposals to cut back deductions for state and local taxes and for personal interest payments. One possibility would be to set ceilings on the amount that each taxpayer could deduct in these areas. Another would be to continue the present deduction for state and local income taxes but ban or reduce the deduction of state and local sales and property taxes.

In the interest field, odds are against anything so controversial as ending the deduction of interest on home loans, but the Treasury could come up with a proposal for ending the deduction for interest on auto loans and other consumer installment buying.

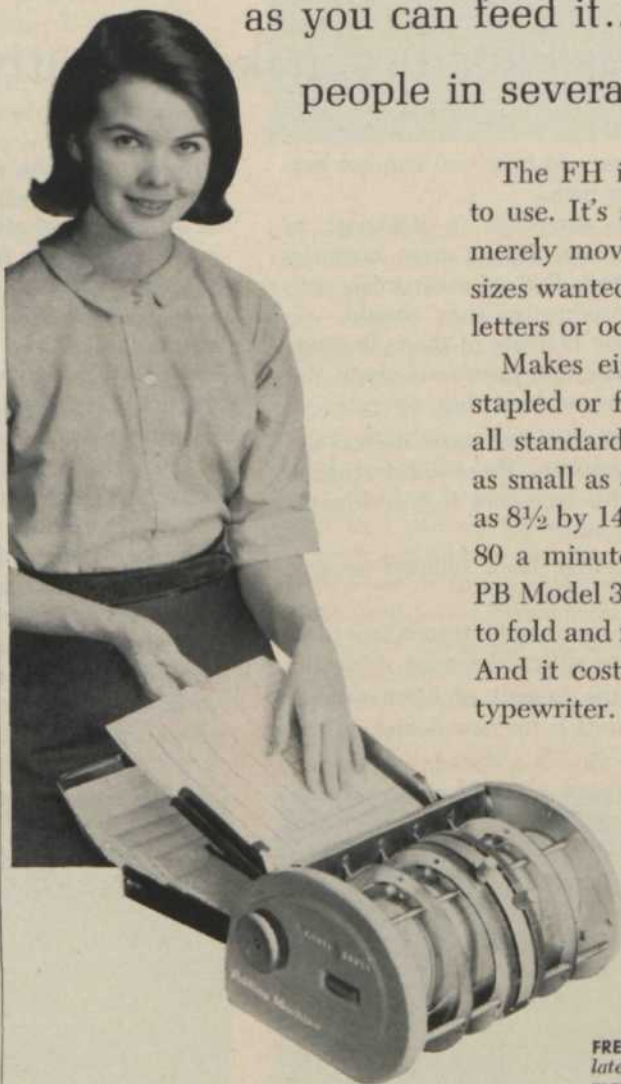
Most of the Treasury tax men feel the present medical care deduction is too generous. If they thought there was any chance of persuading Congress, they would favor deduction of only those medical outlays in excess of five per cent of gross income rather than the present three per cent.

Naturally, if many of these itemized deductions were reduced or eliminated, the Treasury would also recommend a reduction in the present standard deduction for those who do not wish to itemize.

—CHARLES B. SEIB

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YOU CAN GET BETTER DECISIONS

Use of invisible allies makes executive's task easier

RESEARCHERS are finding out how you can get better performance from your men.

There has been much attention in the past to weeding out poor performers. But a more common problem has been neglected—that of companies with capable men who don't produce as they should.

You can start to tap the benefits of these findings as soon as you ask yourself four questions about the men who work under you and how they operate:

- Is each man handling the kind of work he has the most background in? If not, are there valid reasons for each departure from this rule—not just accidental shifts or automatic promotions?
- Has any one man recently been handed several new subjects to deal with all at once?
- Can any recent error or problem be traced to a man who has been asked to cope with unfamiliar subjects?
- Is each person given the benefit of all available past experience as a foundation for new decisions?

Behind these queries is almost a decade of psychological research into the enigma: What makes a man focus accurately on a problem and follow through with a complete action? Continuing studies of "closure"—the ability to see the contours of a task and know when it has been completed—have brought results that can be applied almost equally to managers and supervisors of any level.

Why decisions go wrong

It is important to understand the negative side first. Why do so many apparently capable men leave problems dangling, let opportunities slide and losses ride from month to month? Why do some others move quickly but wrongly, botching important decisions that could have been improved by ordinary prudence?

If some of the people who work for you tend toward either of these extremes, researchers find, they may be trying to solve problems with inadequate tools. A man faces this stack of papers, this set of facts and tells himself that he must make a logical decision. Subconsciously, he doubts that he can do this. He senses, without admitting the fact even to

himself, that the result is likely to be a hunch play.

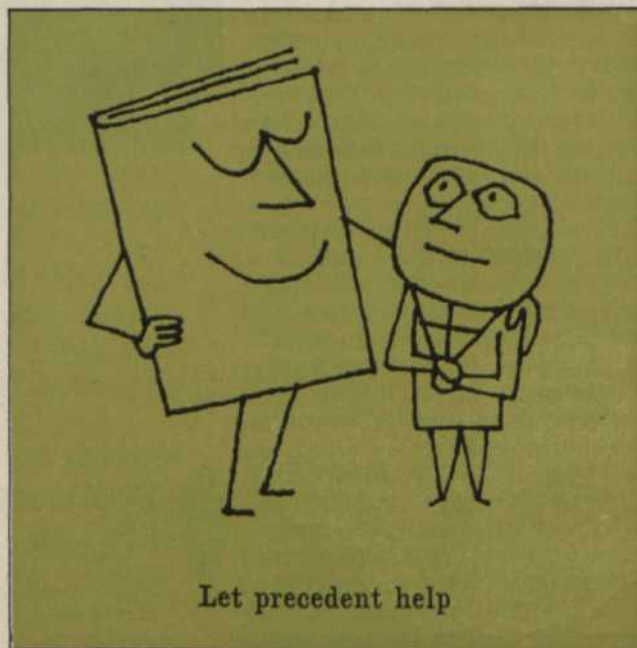
"All this talk about men who hate to face decisions is often a blind alley," one psychologist says. "Many such people just face decisions they don't know how to make."

In that position, the person you are depending on will do one of two things:

He will let the question hang fire indefinitely, preferring to procrastinate rather than make a blind judgment.

Or, if he is driven by an inward need to feel decisive, he will decide haphazardly, just to get the thing over with.

It seems clear that anxiety and lack of self-confidence are important reasons for impulsive and inaccurate responses to a problem. Prof. James E. Dittes of Harvard University, who has run numerous tests on this subject, assumes that "... the personality variable of self-esteem is related to the need for



closure." To put it another way, a person's opinion of himself can vary, according to how strong or weak he feels in facing the problem before him; when self-esteem is shaky, a challenge is met with a frantic stab. The decision made in such circumstances often represents a man's hope of proving himself. The danger of error is great.

There is a way of confirming this theory of wrong decision-making: If lack of confidence causes bad decisions, a man's performance should be best when he is on the most familiar ground. By coincidence, separate tests made by researchers thousands of miles apart have shown this to be the case.

Psychologists in Vienna, Austria, at New York University and the University of Chicago all found in different tests that people dealing with material familiar to them had much higher closure results. Lest this sound like an obvious outcome, it should be pointed out that the material characterized as unfamiliar was in no way more difficult, nor did it involve any facts or principles the people being tested didn't know. Questions that were merely worded or presented in an unaccustomed way caused a measurable loss of confidence and accuracy.

Boiling these findings down to one usable principle, it can be said that a man is most likely to make prompt, thorough and effective decisions when he is most familiar with what the decisions are about.

A practical program

Businessmen who were asked to comment on the value of these psychological studies have suggested two immediate company applications:

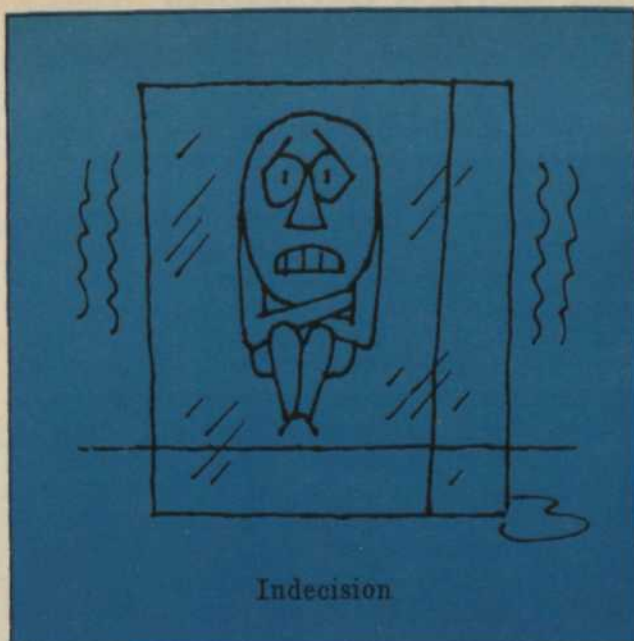
First, be sure each of your subordinates has the knowledge to cope with duties assigned to him. This is pertinent to all new assignments—initial hiring, promotions, and selection of men for occasional projects. It also means taking a periodic look at each existing job to see whether it has grown in scope and whether the man who holds it is still in full control.

Second, make a conscious effort to give your people the benefit of past experience and thus produce more fuel to feed the decision-making process. Despite all the talk of new and creative thinking, most business moves are adaptations or variations of past actions. Men who are acting with known precedent behind them get the extra confidence that gives their decisions more vigor.

The first point challenges all managers to look at their staffs and decide whether some men have been moved away from the work they really know. This often happens in a gradual and unnoticed way within growing organizations; men who have shown ability in one job are given a chance at a bigger one, even though it may be inappropriate to their background.

The tendency in recent years to assume that a good man can fit himself into any related job can be overdone. Often he fits well enough to give the appearance of competence, but both he and the company suffer a loss of momentum. No one suggests that wholesale personnel changes be made to correct past errors of this kind. Where it is found that a man lacks know-how for the job he already has, his superior can help him to grow into it.

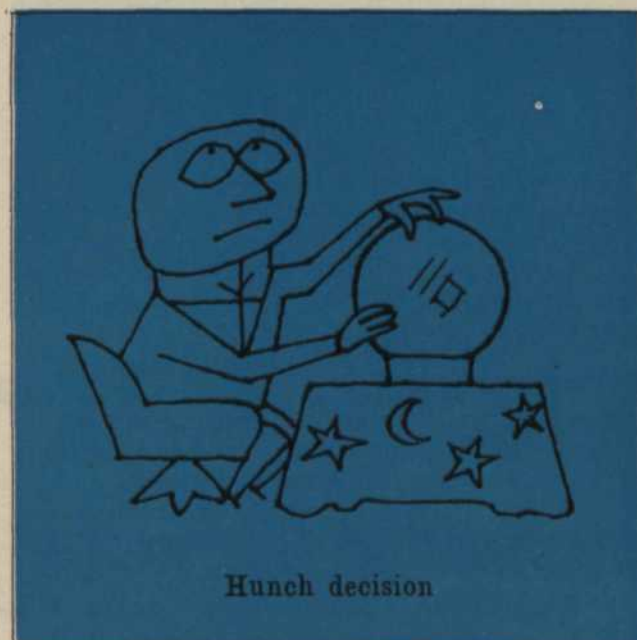
The dramatic difference this can make is illustrated



by a report from an upstate New York company: One man with a successful sales background was put in charge of a department making small hand tools, with urgent instructions to "do something about raising the profit rate." He tried to comply by urging his assistants to push the higher-margin products and telling the production people to reduce costs without giving them any solid guidance.

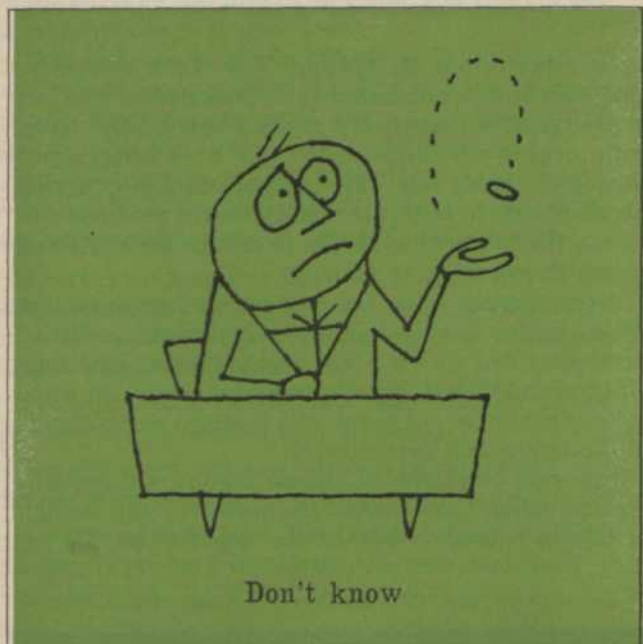
A few months later, top management prodded him again. Rather hastily this time, he prepared a list of items that had shown a loss and suggested that they all be discontinued; he also proposed laying off some factory people to cut costs, which raised storm clouds in the production department.

The vice president in charge finally realized this executive didn't understand the operation well enough to take a balanced view of the department. He set



up a series of joint meetings where sales and production people could exchange information on their problems.

The department head, without being embarrassingly singled out, was educated in some of the details that were indispensable to running the program. He was also given some sessions with top management people, to be shown how his products should mesh with other company lines. Within a few weeks, he was beginning to analyze each product and how it affected other departments; he cut out a few loss items, raised prices on others that couldn't be discontinued, started a new advertising program that stressed the high-profit goods. He decided that production costs could be reduced only by ordering new



equipment and trimming some of the hand operations.

Each time this man had been asked to "do something about raising profits," he may have had a feeling of closure—a sense of having performed his task. But only after much outside help did he go beyond urging or suggesting and attack the problem, while trying to avoid raising new ones.

Too many generalists?

These findings also shed new light on one aspect of management training programs. While they confirm the desirability of adding to knowledge, they cast doubt on the trend of recent years to make more managers generalists instead of specialists. Many business principles can be applied to any industry, and some fine executives can shift from one department to another or one line to another success-

fully. But is this sometimes stretched too far? Have there been failures as well as successes in attempting such switches?

"No doubt about it," says a New York executive placement specialist. "For every universal genius who could go from one job to another with ease, I can tell you about half a dozen men who were top notchers in one line and disappointments in another. Most of these didn't fail outright. They were intelligent and smooth enough to seem competent even in unfamiliar tasks. But the sure touch they had in their own line of business was missing. It was, I am convinced, nothing but a matter of not knowing all the ins and outs of a new operation."

A Chicago manufacturing executive who went through an attempted switch himself has this to say about it: "When I finally came back to the foundry business, I knew I was home. I know how men think in this game, what problems they have in their own plants, how far I can push them on a deal without trying for the impossible.

"Over in the building equipment industry, profit margins and seasonal cycles and geographical patterns all are different. If I had grown up in that line, I'd probably find it as easy as I do this one. But since I didn't, it would take me five years of apprenticeship to learn some of the details that everybody in the office already knew."

That last point is important. The attempt to control subordinates who know more bits of fact, however trivial, makes some executives self-conscious. They press to prove how good their ability is, and the anxiety itself warps their judgment.

Putting experience to work

The use of experience to provide a better foundation for confident decision-making has even more immediate and continuing usefulness. Many men are reluctant to ask help for fear of seeming to lack initiative. It is up to their superior to urge more reliance on all the accumulated experience available from inside and outside the company.

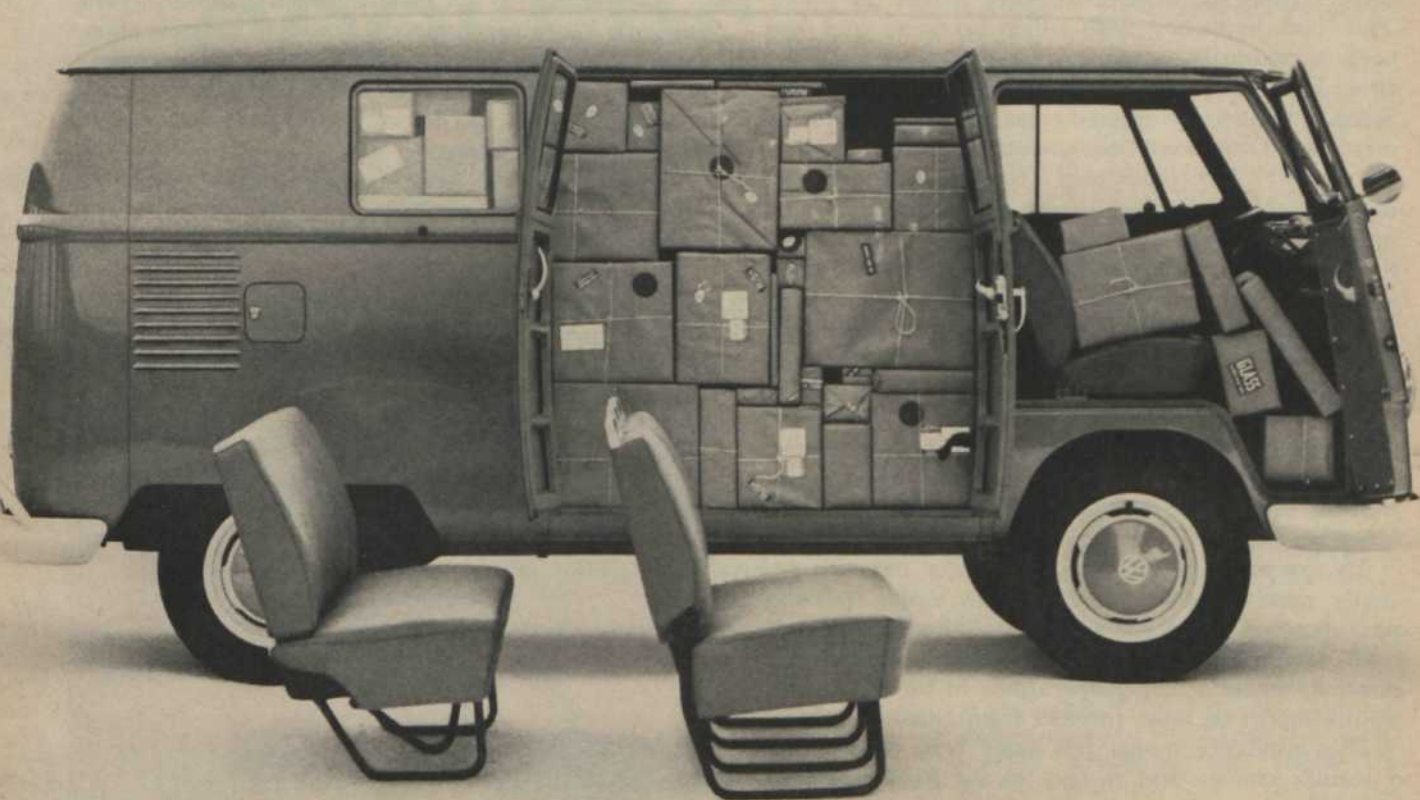
Your people may have to be reminded of this more than once. The time when a difficult decision is in the offing is the very moment when the obvious aids are most likely to be overlooked. To be sure that past precedents are marshaled along with the current facts of the case, prod your subordinates to recall:

When have we had a problem like this before? Have we read or heard of something similar? Do we know anyone who has had this experience? What was done in those cases, and how did it turn out?

The facts may have been totally different on those past occasions, but the principle or the pattern of a problem is what matters.

A review of the past resulted in a quick solution to a problem that hit a southern chemical company recently. The rejection rate on one product suddenly soared. One third of the batches produced had to be discarded.

For several days, there was confusion as chemists theorized on what might have gone wrong with the process. But the technical director had already put people to work among the company records to learn what had caused quality problems with other prod-



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ucts in the past. He also talked with men who had retired from the company, but who were still on call as consultants; he checked with colleagues who had previously worked with competing firms in the industry, to learn whether those other companies had run into similar problems.

Indications from several sources were that one of the raw materials was probably uneven, containing some coarser particles that were harder to blend. This had happened with other products and had been temporarily cured by using a longer mixing time. With historical precedent behind him, the man acted promptly. He ordered extra mixing and replacement of all raw materials as soon as possible.

Just as all law offices keep a form file of every type of will and contract ever drawn up by their partners, and refer to it regularly, companies should insist that their managers go back more often to earlier decisions, not as rigid rules to follow, but as a source of ideas. The ones that turned out well may point to a course that should be followed again (although this is far from being an invariable rule). The ones that failed may light a warning beacon.

Even beyond the company's own experience, your people all have opportunities to accumulate borrowed wisdom from their reading and from meetings with other businessmen.

An executive in the small appliance industry recently admitted that the idea for a major decision was spawned when an aide at middle-management level recalled reading about a company that closed down its manufacturing operations in the U. S. and would import its main product from Japan.

This appliance maker has since been considering a similar change and is now in the final stages of his study.

Another company that uses thousands of cast parts as components had almost decided against a plan to manufacture its own castings. But before making up his mind, the firm's president asked his assistants to consult men they knew in other lines.

Over a lunch table one day, one of the company's officers said to a friend in the automotive industry: "All things considered, it seems preferable to keep buying our cast parts from outside sources."

His friend came back with, "Are you sure all things have been considered? Think back a couple of years to what happened to Chrysler when Pittsburgh Plate Glass had a strike."

Looking at its pending decision from this angle, the company saw that a similar danger existed. If the outside suppliers of castings should run into labor snags, this firm might be the injured bystander. With new confidence based on recent history, the firm reversed its earlier view and is now planning to build its own casting facilities.

Every company has ample opportunity to use the kernel of outside experiences in its decision-making. But it is not enough to trust to accident. Your subordinates have to be alerted to watch for ideas that can be transplanted to your own grounds. They have

to be reminded periodically that this should be a continuous process, not a one-time effort.

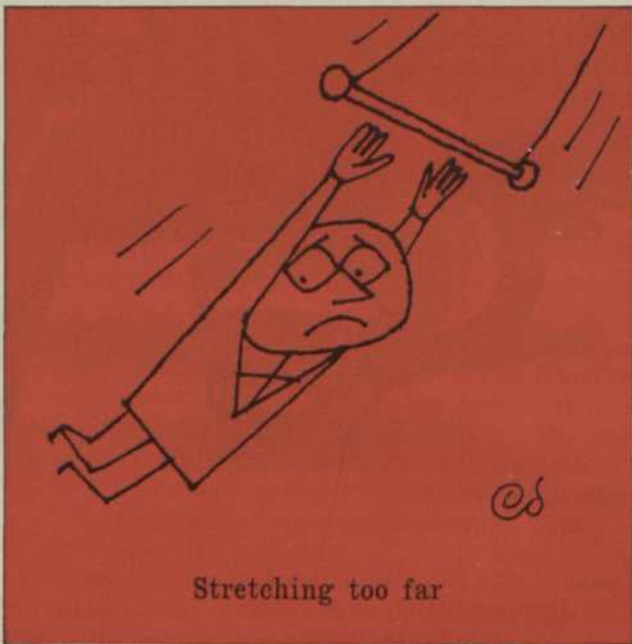
Invisible allies

Emphasis on creativeness and originality has obscured the fact that "it is inefficient for each manager to discover fire and invent the wheel all over again," as one businessman puts it.

Today, the high cost of shifting gears in any business plan puts a premium on good decisions. Mistakes are expensive. That's why so many companies pay higher and higher wages for top-notch talent.

A good man is not equally effective under all conditions. What psychological research has now shown is that his problem-solving ability is not a constant. It varies according to his confidence, and his confidence depends on his competence to handle each challenge before him.

Every executive has to handle new assignments



Stretching too far

and face problems involving unknowns from time to time. Even the best manager will do a better job of this if it is made clear that he is expected to learn before he acts, that drawing on the past for help will not be taken as evidence he lacks ideas of his own.

When an executive sees how a thing was done before, and what result flowed from it, he has invisible allies at his shoulder—all those who faced and overcame the same problem earlier.

There is no better antidote for loss of confidence, no better assurance of complete follow-through.

—CHARLES A. CERAMI

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WATER COOLERS: WHAT TO LOOK FOR

General Electric lists seven factors
for you to consider now to meet
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Your water cooler should last for many years. To make sure, weigh the manufacturer's reputation for high-quality products, and check his service facilities.

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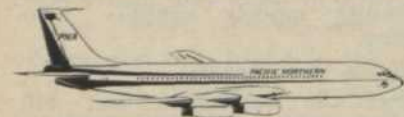


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OLD PEOPLE

continued from page 31

making the most of this market. An affiliate of the National Retired Teachers Association, the combined group has about half a million members.

Unlike some organizations for the elderly, the AARP aims to help mature persons continue their self-sufficiency and to give them purpose, dignity, and usefulness.

The most recently enacted measure for meeting health care needs of the aged was the Kerr-Mills Medical Assistance for the Aged program. The act increased federal allotments for medical payments to old persons on relief rolls. It also authorized a federal-state program to help persons whose income doesn't qualify them for relief but whose resources are not enough to pay big medical bills.

Kerr-Mills programs—less than two years since enactment—are in effect in 25 states. Several more states are setting them up. However, the Administration and many old-age organizations maintain that the only way to meet the problem of medical care for the aged is through the King-Anderson bill. The House Ways and Means Committee will take up the bill this month.

This measure provides for federal payment of up to 90 days in the hospital. But a patient would have to pay between \$20 and \$90 himself depending on how long he was in the hospital. The pending legislation also provides for 180 days nursing home care and 240 home visits by a nurse.

Out-patient diagnostic services with the patient paying a minimum of \$20 toward the bill also would be available.

More than 14 million people under social security and Railroad Retirement would be eligible automatically. Age, not need, would be the test of eligibility. Social security taxes would be raised to pay the costs.

In another 10 or 12 years we will undoubtedly have 20 million recipients of social security. It would take annual taxes of \$30 billion at least to meet minimum standards. Some 75 million workers and their employers would have to pay \$400 a year in social security levies. This is about what the average married couple paid in federal income taxes last year.

Most doctors and others who have studied the King-Anderson

bill worry that it will handicap medicine and medical progress that have distinguished America throughout the world.

The doctors fear that the government would impose a variety of rules on hospitals that could interfere with the kind or quality of treatment a physician decided was best for his hospitalized patient.

Critics also charge that the bill would set up an elaborately expensive and permanent program to meet a need that is diminishing.

Though the U. S. will probably always have some needy aged, in the future the medical care problems for the aged will be decreasing, not increasing.

Of the estimated 21 million or so who will be 65 in 1970, about 13 million were younger than 65 at the beginning of this decade. These 13 million will go into retirement after many years of high income and rising pay. They will be retiring at much higher social security benefits. More and more will draw private pensions. More will be homeowners. A larger proportion will have health insurance and carry it into retirement. The Health Insurance Association of America estimates that at least 90 per cent of the aged wanting and needing health insurance will have it by 1970.

A host of insurance companies now offer guaranteed renewable lifetime hospital-surgical expense plans fully paid-up at 65 and major medical plans with lifetime coverage or extended benefits beyond 65.

Medical care solution

The most serious troubles the senior population faces today—both medical and economic problems—can be relieved without injustice to the basic rights of other members of society and without encouraging their dependence on government.

No one dies of old age. People die of diseases which occur with passing time.

These diseases can be studied and eventually cured. If people take precautions to prevent diseases and adopt habits to promote physical fitness, they can expect to enjoy their later years in good health, doctors say.

Spectacular advances in diagnosis and treatment have brought greater understanding of many diseases. More and more attention is now being given to prevention of illness and stresses that wear out man.

The key to the aged's medical problems is cure of disease—which is progressing rapidly—and early diagnosis and treatment, together

with proper diet, exercise and mental attitude.

Closely tied to the physical health problems of the aged are the emotional and mental attitudes. Older persons who are working will generally be more healthy and better adjusted, doctors say, than those not employed. Not only do they take pride in being self-supporting members of society, they are less likely to join pressure groups.

If the aged are encouraged to become wards of the state, they will lose their drive and incentive and with it will go a degree of health.

Many labor union and corporation rules discourage hiring of the elderly or continuing their services after age 65. However, discrimination by employers is not the biggest barrier to employment of older workers, some studies have shown. Such factors as lack of skills or inflexible attitudes of the aging worker more often hamper his employment.

A majority of states have set up councils or committees to study problems and opportunities arising from the greater aged population. They have looked into a wide range of social and economic matters.

Invariably their studies show that employment is a key problem with older people. Seven states have adopted no-discrimination-in-hiring laws. Legislation has been introduced repeatedly in Congress to bar job discrimination because of age.

In the future, indications are there will be less discrimination and more opportunities for work for the older person. With the development of labor-saving machinery and automation, there is less and less demand for physical stamina and strength.

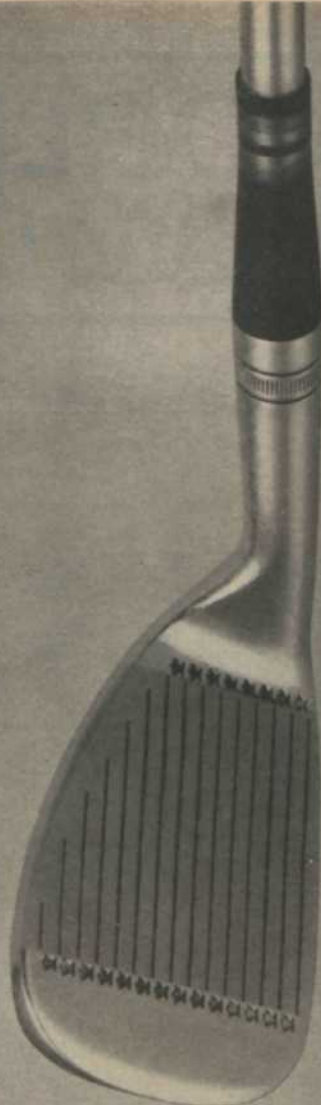
The shorter work week also has made it possible for mature workers to remain in full employment. Industrial studies show the older worker enjoys greater job opportunities now than in the past.

Even if not gainfully employed, the older person can generally find purpose, usefulness and respect in various community civic activities, in adult education courses, in sharing his experience in fields he knows. Physical and intellectual activity can benefit not only the older person, it can benefit society by making use of his stability and judgment.

So the apparent solution to the danger of the aged as a segregated political bloc lies in encouraging the service of the aged in social, economic, and political problems of the community and the nation. **END**



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OUR TWO BEST CUSTOMERS

CANADA is the United States' largest single export market. In 1961 it purchased approximately \$3.5 billion of total U. S. nonmilitary exports (according to the U. S. Commerce Department) of \$20.1 billion. In the same year, Japan, the second most important customer, bought \$1.7 billion of American goods. Both countries also depend heavily on the U. S. as a customer.

Many indications point toward a growing integration of the United States and Canadian economies over the next few years, with prospects for higher levels of trade improving.

The spectacular growth of trade between the U. S. and Canada led the Royal Commission on Canada's Economic Prospects to predict that, between 1955 and 1980, Canadian exports to the United States in constant (1955) dollars would grow to \$7.2 billion, while U. S. exports to Canada would rise to \$8.1 billion.

It suggested that, by 1980, 68 per cent of Canada's exports would go to the U. S. and 76 per cent of its imports would originate across the border.

The leading Canadian exports to the United States in 1980 could be

petroleum and its products, newsprint, aluminum and aluminum products, wood pulp, lumber and miscellaneous nonmetallic products. Canada's major imports from the U. S. would be machinery and equipment, clothing and home furnishings, miscellaneous industrial materials, consumer goods and food.

The Commission estimated that these items would represent 68 per cent of all Canadian imports in 1980, compared with 61 per cent in 1955. Following them would come automotive products, basic chemicals, petroleum products, construction materials and household appliances and furniture.

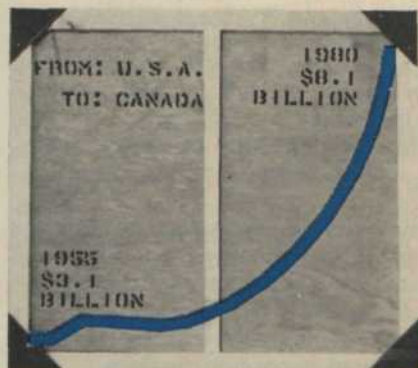
WHILE THE VOLUME of U. S. exports to Canada has grown, the share of the Canadian market held by U. S. imports has been declining steadily for 10 years.

In 1952, 73.7 per cent of Canada's total imports came from the United States. Last year the proportion was 66.9 per cent. The same trend is discernible in the share of Canada's exports going to the United States; in 1961 this was 54.4 per cent, the lowest proportion since 1952.

Clearly, closer economic integration of the two countries is not inevitable, particularly in the face of the challenge of Western Europe, where economic growth is outpacing that in the United States. Western Europe will need more of Canada's raw materials. It also wants a larger share of the Canadian market.

But the balance of advantage remains with the United States with its heavy investment stake in Canada's natural resources and the influence that it exerts on Canadian taste and buying habits.

IN THE SHORT RUN, Canadian demand for U. S. exports will continue to be influenced by such factors as excess capacity in many



industries, which has tended to restrict demand for capital goods. In addition, the lower exchange rate on the Canadian dollar is making imports of consumer goods more costly, thereby favoring Canadian sources of supply.

In the longer term the prospects for Canadian-U. S. trade will depend to an unusual degree on changes in commercial policy. The trading patterns now emerging are still far from clear. Since Canada's influence in determining the course of events is necessarily restricted, the official policy in Ottawa has been to continue to seek trade expansion on a multilateral basis through the General Agreement on Tariffs and Trade.

The recent U. S.-Canadian tariff-cutting pact, affecting \$128 million of trade between the two countries in 1960 terms, represents a continuation of this approach. At the same time, the Canadian attitude toward such events as the emergence of the European Economic Community, Britain's decision to apply for membership in the Community and finally the Kennedy Administration's plan to bargain for drastic reductions in tariffs, has essentially been one of wait and see.

At present, the east-west and the north-south pulls on Canada's econ-



omy remain roughly in balance. The prevailing north-south pull of Canadian trade with the U. S. has been offset by the east-west pull of increased trade with Britain, Western Europe and also Japan.

The reluctance of the Canadian government to take a more positive stand on the Kennedy plan reflects a decision to press for as favorable terms as possible for access to the European market should Britain join the European Economic Community and give up commonwealth preference.

SUBSTANTIAL dislocation of Canadian trade with the United Kingdom, presently Canada's second largest trade partner, would require the search for alternative markets, particularly for those manufactured and semimanufactured goods which benefit most from commonwealth preference.

This, in turn, could strengthen arguments for a greater degree of economic integration between Canada and the United States. Proposals that selective free trade be pursued—on the basis of the 1944 agreement on farm implements—have been made. A Royal Commission study of the Canadian automobile industry suggested that it should work toward greater integration with the U. S. and European industries, in return for tariff reductions.

This concern with the future of Canadian secondary manufacturing industry is far removed from the

emphasis on natural resources and on Canada as a supplier of raw materials that dominated the thinking of the 1950's. It suggests that further expansion of trade between Canada and the U. S., particularly at a time when many raw materials are in excess supply, will depend largely on tariff policy on manufactured goods.

JAPAN OFFERS BUOYANT MARKET

SINCE THE WAR, the Japanese economy has shown itself to be much the most dynamic in the free world.

After recovering its pre-war standard of living around 1953, the country continued to advance with breathtaking speed, and in the past two to three years Japan has registered extraordinarily high rates of growth. This rapid development has been accompanied by a corresponding rise in imports, which increased nearly two and a half times between 1953 and 1961.

In 1961 Japan took 36 per cent of its imports from the U. S. and shipped nearly one quarter of its exports to America. While Japan is much less valuable as a market in absolute terms than is Canada, the Japanese market has been—and seems set to remain—by far the more buoyant of the two. In the five years up to 1961, imports from the U. S. into Japan more than doubled.

Japan's rapid increase in wealth has been accompanied by a steady

transformation in economic structure. Light industry has given way to heavy, and old, established industries such as textiles have lost ground to new ones such as electronics and chemicals. The techniques of production and the quality of Japan's output have improved enormously. The technical revolution which has taken place over the past decade has owed much to the judicious import of technology, as a result of investment deals, and also to the licensing or purchase of processes. The great bulk of this imported technology has come from America.



U. S. PENETRATION of the Japanese market, whether for imports of goods or techniques, or for investment, already has gone a long way.

In 1960—the last year for which detailed figures are available—the United States was the major supplier to Japan of all but one of the main commodity groups. Up to the end of March 1961, it held 63 per cent of the contracts for the import of techniques and three quarters of the \$113 million worth of foreign investment.

Japan's share of the U. S. import market was only eight per cent in 1960—but expansion has been rapid. Japan's exports to the U. S. in the five years up to 1961 rose by 90 per cent. (There was, in fact, a drop last year. Thus the figures for the period 1956-60 are even more startling, and show a doubling of exports to the U. S. in these four years.)

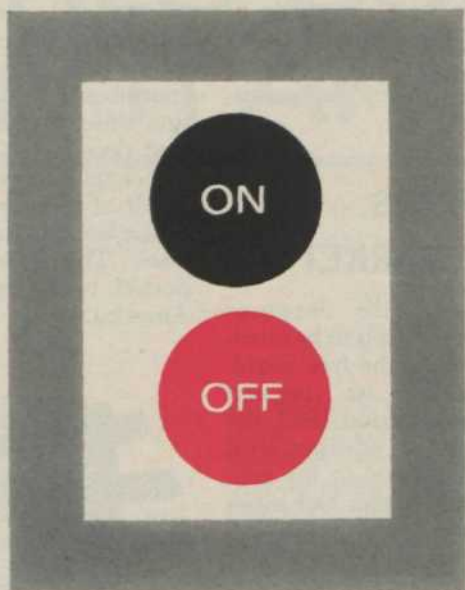
Determined not to let its economy's formidable momentum lose any of its power, the Japanese government has drawn up an income-doubling plan, covering the years up to 1970.

At first glance the targets and assumptions of this plan look unrealistically ambitious. It calls for a national income in 1970 amounting to more than two and a half times

GLOBAL TRADE TRENDS

Main area to watch in the coming months will remain Europe—industry there is still expanding fast—Britain will reduce tariffs on many industrial goods later in the year. . . . If you haven't yet arranged to serve the Common Market, have you thought of the Dutch West Indies, now to receive \$60 million from Europe, near home, and well placed to serve the Common Market provided you don't need a lot of labor? . . . Continuing U. S. expansion will mean more money for imports in some commodity-producing coun-

tries. . . . Canada will continue to benefit, Australia is on the verge of a new surge of investment. . . . Do not write off South Africa too soon, it may surprise you. . . . West Africa, flexing independent muscles, is looking farther afield for its imports, helped by new American loans. . . . Colombia's political stability is assured for some years. If you make transport, roadbuilding, or railway equipment, you will want to know about its new one-year transport development program costing \$1.7 million.



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WORLD BUSINESS: HOW IT AFFECTS YOU

continued

the 1956-58 average, thus assuming an increase of nearly eight per cent in real national income each year.

It is doubtful if any other country has approached this rate of growth from a similar level of development.

But the envisaged speed of advance is no greater than the country has achieved in the past. In the past three years, for example, the rate of growth has been considerably above the eight per cent average set for the plan.

Whether Japan manages to maintain its high-gear growth depends on its ability to stimulate a rapid increase in exports. Here the United States is of the first importance. Should the U. S. economy pass through a prolonged period of stagnation, or should the Administration raise barriers against Japanese imports, then the growth of incomes in Japan and the scope for profitable exploitation of the Japanese market will be reduced.

Continued growth of Japan's economy is of interest to all its main suppliers. It is especially important to the United States.

Holding such a large share of the market, the U. S. is likely to be particularly susceptible to the encroachments of other foreign suppliers. A reduction in the present degree of U. S. dominance is likely, with Western Europe again the main challenger. But such a reduction need not matter much provided the Japanese economy continues to expand.

American products enjoy a high reputation in Japan, whether they be raw materials or manufactures. So, on the whole, do Americans; it would be wrong to take the riots which led to the cancellation of President Eisenhower's visit in 1960 as an accurate measure of American popularity.

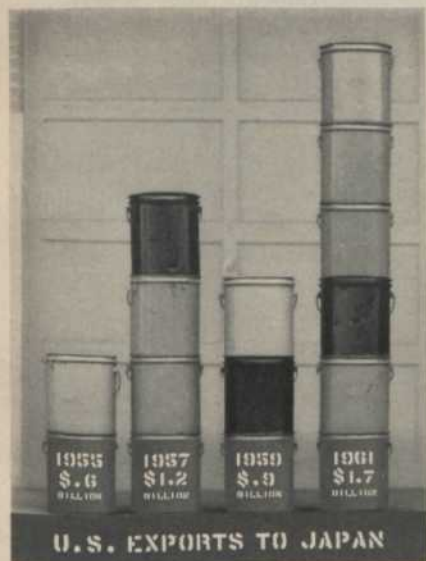
In addition, the United States enjoys a considerable advantage over other major industrial nations simply in being much closer to Japan. The ground it may lose should not, therefore, be of major proportions.

THE JAPANESE consumer is becoming increasingly sophisticated in

his requirements. Incomes, particularly in the higher brackets, have been rising fast. An ever larger number of households possesses such consumer durables as radios, television sets and washing machines.

Many of these items are supplied adequately by local manufacturers. But the United States can offer a wider variety of high-quality, up-to-the-minute household appliances than any other country and, while it may not be able to compete effectively in the more common varieties, its more specialized, luxurious and expensive products should sell well.

But, taking manufacturers as a whole, the best prospects for American firms are almost certain to be found in the field of capital equipment and producer goods. It is here that Japanese industry is, generally speaking, least competitive; it is here that demand is likely to grow



fastest; and it is here that American quality, technical advancement, and ability to effect quick delivery tell most strongly over other foreign suppliers.

Competition will be fierce, however, particularly as more European countries awake to opportunities they have been missing.

THE SCOPE for more exports does not, of course, exhaust the commercial opportunities which exist in Japan.

Profits derived from technical co-operation or investment in Japan have indeed often been larger than those gained by exports, despite the fact that agreements between foreign

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and Japanese firms for setting up joint ventures or for arranging manufacture under license normally are subjected to painstaking official scrutiny.

Investment or royalty agreements are also particularly appropriate for U. S. firms in many cases. The markets of Asia and the Pacific are not—apart from Japan itself—of great importance to America. In 1960, 10 per cent of U. S. exports went there. (Britain's proportion, in contrast, was nearly a fifth.) It is thus usually a matter of indifference to U. S. businessmen that the Japanese should insist, as they nearly always do, on export rights.

Often enough such investment or royalty arrangements offer practically the sole opportunity for the relatively high-cost American manufacturers to obtain at least some of the meager resources of Asia for themselves.

Not that such deals should be divorced from the consideration of exports, for, as old hands in trade are only too well aware, the one breeds the other and all can bring rich profits.

OPPORTUNITIES for exporters to Japan are likely to receive an additional boost from the large-scale program of liberalization which is now under way.

By the end of 1962 Japan's traditionally protected economy should be largely free from import restrictions. The Kennedy Administration, for its part, is eager to cut United States tariffs against the outside world.

Both these moves should generally create trade, and are practically certain to enhance the value of trade between the two countries. The close business links between America and Japan which already exist and a continuation of the same spirit of enterprise which has characterized the dealings between U. S. and Japanese businessmen should do the rest.

If each side seizes its opportunities, there is no reason why trade between the two countries should not at least double by 1970, while other commercial exchanges, such as investments and technical tie-ups, should rise at least as rapidly. END

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FEDICULTURE CAN'T GROW TALENT

THE TALENTS of people rank high among a nation's resources. They should not be wasted. Our country's success in putting them to work accounts for our past greatness and will measure our future strength.

So Congress has been asked to approve a number of plans under which the federal government—through subsidy for retraining workers, for education, for scholarships to college students—would undertake to develop talent in the young, revive it in adults and preserve it in the aged.

Whether talent can be grown by fediculture is at best debatable. Not debatable is the fact that talent, however grown, is an individual attribute of no benefit to anyone until it is put to use. For all its preoccupation with talent development, government seems to have overlooked this point. The very plans which, hopefully, would increase our stock of talent threaten further limitations on the freedoms that are the individual's chief incentive to employ his talents to the utmost.

Already these freedoms are seriously curtailed:

The individual's freedom to spend what he can earn is lost to a tax system which demands a progressively larger share of whatever reward full use of his talents might bring.

The businessman's freedom to set his own prices or

join his business with another is abridged. His decisions must often consider tax feasibility ahead of economic soundness.

His freedom to hire whom he pleases at wages he can afford to pay and to assign the work to be done has been turned over to labor unions to which the government has lent incredible power.

The individual's freedom to take whatever job is open and to hold it by excellent performance is bounded by union limitations and seniority rules.

His freedom to prove his worth and versatility by expanding his efforts outside his own field runs afoul of jurisdictional regulations.

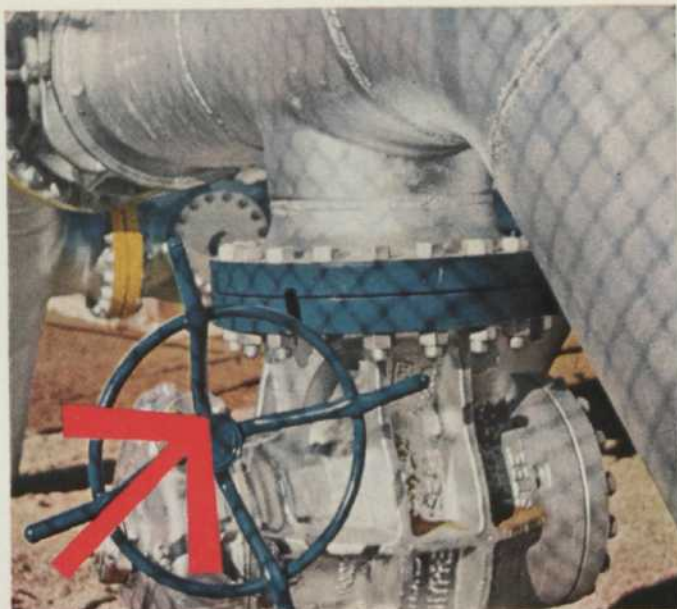
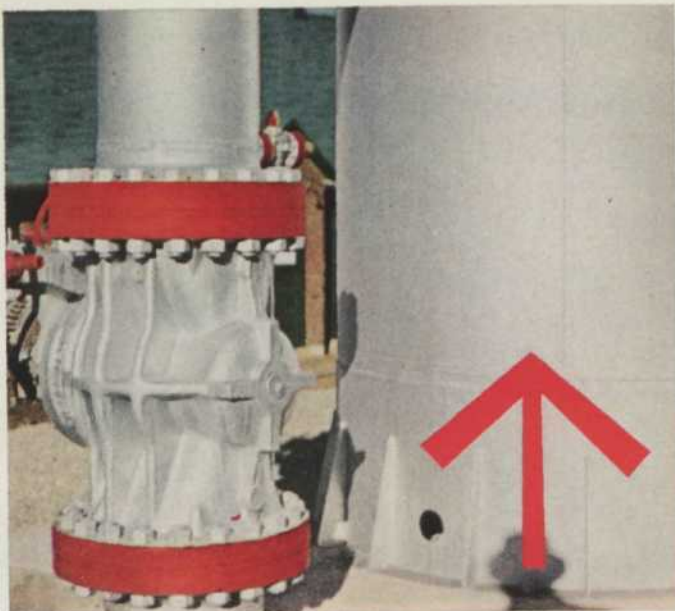
His freedom to be satisfied with his job ends when union demands require him to strike even against his own desires or best interests.

The freedom to prepare for his future in his own way is limited by forced payment of a social security tax.

Although he pays income tax on this money he never sees, the individual has no contract to prevent government from increasing his compulsory payments—as it often has—changing the benefits he will receive or refusing to pay him anything, which—under certain conditions—it will actually do.

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Nation's Business • May 1962



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